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Evaluation of Attendance Potential for Aero World

Harrison Price Company

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**EVALUATION OF
ATTENDANCE POTENTIAL FOR
AERO WORLD**

Prepared for:

AERO WORLD

June 1982

Prepared by:

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TABLE OF CONTENTS

<u>Section</u>		<u>Page</u>
1	INTRODUCTION	1
2	SUMMARY AND CONCLUSIONS	3
3	CONCEPT AND SITE EVALUATION	6
	Concept of Aero World	6
	Project Background	6
	Description of Project Components	8
	Site Environment	13
	Locational Characteristics	13
	Weather Conditions	16
	Competitive and Complementary Facilities	18
4	MARKET SUPPORT ANALYSIS	20
	Available Resident Market	20
	Population Trends	20
	Age Characteristics	27
	Household Characteristics	29
	Income Characteristics	31
	Available Tourist Market	34
	Southern California Tourism Indicators	34
	San Diego Visitor Activity	42
	Aggregate Market Support	47
5	PROJECTED ATTENDANCE AND PLANNING RECOMMENDATIONS	48
	Attendance Potential for Aero World	48
	Experience of Major Southern California Attractions	49
	Experience of San Diego Attractions	54
	Projections for Aero World	62
	Investment Strategy Recommendations	67

LIST OF TABLES

<u>Table Number</u>		<u>Page</u>
1	Proposed Aero World Ride Content - Phase I	12
2	Weather Conditions in the San Diego Area	17
3	Population Trends in the Southern California Regional Market	21
4	Population Projections for the Southern California Regional Market .	24
5	San Diego County Population Trends	25
6	Age Distribution of the Southern California Resident Population . . .	28
7	Median Age of the Southern California Resident Population by County	30
8	Total Households in the Southern California Resident Market	32
9	Trends in Household Composition for the United States	33
10	Per Capita Personal Income in the Southern California Regional Market (current dollars)	35
11	Consumer Price Index for Southern California	36
12	Per Capital Personal Income in the Southern California Regional Market (constant 1967 dollars)	37
13	Out-of-State Visitation to Southern California	39
14	Order of Magnitude Estimate of Tourism to Southern California . . .	40
15	Trends in Tourism to the San Diego Area	43

LIST OF TABLES
(continued)

<u>Table Number</u>		<u>Page</u>
16	Convention Activity in the San Diego Area	44
17	Seasonality of the San Diego Visitor Industry	46
18	Attendance Trends at Major Southern California Attractions	50
19	Comparative Market Shares of Southern California Attractions	52
20	Comparative Market Penetration Rates of Southern California Attractions	53
21	Per Capita Attractions Attendance in Southern California	55
22	Origin of Attendance at Major Attractions in the San Diego Area	56
23	Market Penetration Rates of Major Attractions in the San Diego Area	58
24	Comparative Attendance Seasonality at Major Southern California Attractions	60
25	Admission Prices at Major Southern California Attractions	61
26	Estimated Attendance at Aero World	65

LIST OF FIGURES

<u>Figure Number</u>		<u>Page</u>
1	Regional Orientation of the Aero World Site	14
2	Aero World Site Vicinity	15
3	Major Statistical Areas of San Diego County	26

Section 1

INTRODUCTION

Plans have existed for several years to develop a major themed amusement park in San Diego County, California, utilizing an aviation/aerospace format and incorporating a wide variety of active and passive entertainment elements. After a search of various alternative locations in the San Diego area, an option was secured on a 340-acre property near the intersection of Interstate Highways 5 and 805 in the northern portion of the City of San Diego. Detailed conceptual planning for the project, known as Aero World, then was initiated and the magnitude of required investment was evaluated based on the envisioned physical and programmatic content. A comprehensive feasibility study has not yet been undertaken due to the economic slump of the past few years and other factors which have delayed project implementation.

With the option on the chosen site soon to expire, however, it now becomes imperative to make an independent assessment of the project's market potential -- the first step in the feasibility equation--as the basis for a go/no-go decision on development. To this end, Aero World's developers retained Harrison Price Company to conduct an attendance analysis given the nature and scope of the project as presently conceived. A secondary objective was the determination of whether the project's expected cost is in balance with its market potential, with recommendations as to necessary adjustments if warranted.

The findings of Harrison Price Company's analysis are contained in this report. Following this introduction, Section 2 presents a brief summary of principal conclusions. Section 3 reviews the project concept and evaluates the site environment. The size and quality of available market support is assessed in Section 4, leading to an attendance estimate and recommendations concerning appropriate investment level in Section 5.

This study was conducted by Harrison A. Price and Sharon J. Dalrymple of Harrison Price Company. Nicolas Winslow and William Ketchum also participated in the review of attendance potentials. The assistance of Meyers Jacobsen of Aero World in completing this assignment is acknowledged with appreciation.

Section 2

SUMMARY AND CONCLUSIONS

Briefly highlighted on the pages to follow are the principal findings and conclusions of the analysis of Aero World attendance potential. Supporting documentation and underlying rationale are presented in the body of this report.

Major conclusions of the site and market evaluation are as follows:

- The proposed Aero World site location is excellent, having easy access, good visibility and exposure to sources of market support, and favorable climate conditions.
- The project concept is unique, eminently suited to the San Diego area, and commensurate with the offerings of regional competition.
- The growth rate of the Southern California market has drastically declined from historical levels and further slowing is expected through this decade.
- The market is also becoming older on average, with the teenage market, in particular, shrinking noticeably. This suggests a reduced market for "white knuckle" rides as a principal form of amusement park entertainment.
- Southern California is becoming less of a family market, with a surge in the proportion of non-family and single-person households. Traditionally, amusement parks have been a family entertainment experience, and an adjustment of marketing strategies, if not park content, appears mandatory if the challenge implicit in this trend is to be met.
- Per capita income continued to increase through most of the last decade due to the dramatic increase in the number of two-income families. This proportion is now believed to be at or near its ultimate

level, however, indicating that a serious erosion of discretionary purchasing power is under way, recreation being one of the more vulnerable items.

- Southern California's tourist market has also been in an uneasy transition. Since 1977, growth has been limited as the industry reacted to gasoline shortages, rising airfares, constraints on income growth, and other aspects of the economic recession. Foreign tourism offers substantial promise, but tends to fluctuate widely with exchange rates, political conditions abroad, and airfares.
- The regional attractions industry has entered a period of near-stabilization and heightened competition. Smaller and/or weaker parks are losing ground rapidly, while others struggle to maintain their market position.
- With the exception of the San Diego Zoo, where current attendance volume taxes the limit of physical capacity, San Diego's existing attractions have performed at least as well, if not better, than regional competition. The local market is accordingly viewed as above-average in potential to support a new attraction.

Weighing the significance of these various factors, Harrison Price Company utilized the following assumptions in its attendance estimate for the proposed attraction:

- Penetration of the local San Diego market should be above-average given the kind of entertainment option represented by Aero World, which is not otherwise available locally.
- Penetration of the broader Southern California market will be inhibited by the very strong regional competition.
- Penetration of the Northern California market will be somewhat better than that of most regional parks.

- Penetration of the tourist market will be limited by the volatility of this source of support coupled with intense competition, both locally and regionally.

The range of potential attendance at Aero World given these assumptions is 1.38 million to 1.97 million. These figures refer to a stabilized year, assumed to be 1987 in this analysis. The midpoint of this range, or 1.67 million, is considered to be a realistic planning estimate.

A probable attendance volume of this magnitude suggests an investment level of approximately \$52.5 million, including land, based on investment/revenue ratios associated with other selected Southern California attractions. Assuming a total per capita visitor expenditure of about \$13 in current dollars, total gross operating revenue would amount to \$21.7 million, which is equivalent to 41 percent of the indicated investment and consistent with today's financial realities.

The most serious challenge faced by Aero World is whether \$42.5 million (total recommended investment less an assumed land cost of \$10 million) is sufficient to create a park capable of drawing 1.7 million persons in today's difficult market. Harrison Price Company recommends that an in-depth study be made of individual project components, especially the planned outlays for major rides, with an eye toward cost-versus-entertainment value relationships. Greater emphasis on the air show and other "soft" programs may be a viable alternative to expensive ride hardware, and has the additional advantage of neutralizing what could be a head-on contest with ride-based parks in the regional market.

Section 3

CONCEPT AND SITE EVALUATION

Necessary prerequisites in a determination of attendance potential are an examination of the scope and content of the intended development and the characteristics of the site environment in which it will be located. This section of the report analyzes these key factors.

CONCEPT OF AERO WORLD

Based on discussions with the client group, the following paragraphs trace the evolution of the Aero World project over the past several years and describe the specific facilities and programs to be encompassed by the development.

Project Background

The general thematic concept of Aero World has its roots in the long-established prominence of the San Diego area as an aircraft manufacturing and aerospace research center. Convair Division of General Dynamics, Teledyne-Ryan Aeronautical, Rohr Industries, General Atomic, and a host of smaller companies supplying parts and logistical support together comprise one of the largest concentrations of aviation/aerospace activity in the nation. San Diego is additionally the home base of Pacific Southwest Airlines, one of the country's largest regional commuter carriers. Since the 1920s, this industrial sector has been a mainstay of the San Diego economy, along with the closely related military operations at the San Diego Navy Base, Miramar Naval Air Station, Camp Pendleton, and some 19 other defense installations within the county.

San Diego boasts not one, but several aviation/aerospace exhibit facilities as tribute is paid to the city's longstanding role in the air transportation industry. These facilities, however, offer primarily static displays of a historical or technical nature and do not make full use of the glamour and excitement inherent in the field

of aviation. The Aero World concept represents an earnest effort to treat aviation subjects with greater flair and imagination.

Plans for Aero World date back to 1973, when a group of aviation enthusiasts proposed the creation of a full-scale themed amusement park based on aviation--one that would contrast favorably with the usual static, museum-piece presentation of aviation history and technology. Basic conceptual planning and the search for an acceptable location were soon underway. An attractive site in northern San Diego was identified and optioned in the late 1970s and the project's originators began to seek necessary government permits and approvals. An early stumbling block was encountered when the Miramar Naval Air Station, located directly adjacent to the chosen site, expressed concern that the daily air shows planned for Aero World would interfere with jet operations at the base. A subsequent study by the Federal Aviation Administration, however, concluded that the two operations could co-exist, provided that a specified altitude limit was observed by the Aero World planes, and this hurdle was overcome.

Another benchmark in the project's evolution was in 1979, when Howard Hughes' famous flying boat, the "Spruce Goose," was evicted from its 32-year hibernation in a Long Beach hangar. The plane's owners, Summa Corporation, subsequently made it available for lease and Aero World became one of two major contenders to be the future home of this unique craft. Plans were for the Spruce Goose to be dismantled and barged to San Diego, where it would be reassembled and housed in an air-inflated building to serve as a preview center for the overall Aero World project and, later, as an integral part of the attraction complex. Ultimately, however, the Queen Mary tour operation in Long Beach produced the winning bid and planning for Aero World proceeded without the Spruce Goose.

At about this same time, a unique collection of vintage aircraft became available. Two Hollywood stuntmen, Frank Tallman and Frank Mantz, had assembled a sizable complement of aviation artifacts and planes, which were put on display at a museum near the Orange County airport. When both of these men met accidental death in the late 1970s, custodians of the "Tall-Mantz" collection, as it

was known, agreed to move it to Aero World where it would be integrated with the broader attraction and enjoy greater exposure to the public. Acquisition of this valuable collection thus became a major impetus to the Aero World project and planning entered its present definitive stage.

Description of Project Components

Of the 340 acres available at the subject site, some 300 acres represents net usable space. Preliminary plans call for a total in-park area of 60 to 70 acres, plus the 30-acre airstrip servicing the daily air show attraction. Some 80 acres will be devoted to parking, with spaces totaling about 8,300 including those for employees, buses, and motor homes. Adding land area absorbed by service roads, pedestrian corridors, support buildings, and the like, total land area used for the attraction comes to about 255 acres. The in-park area would be segmented into nine facility clusters, each concerned with a different aspect of the overall aviation theme.

A description of the nine theme areas and their content is as follows:

- **European Village.** This will be the main commercial complex for the park, with restaurants, shops, a German beer garden, crafts bazaar, and similar facilities. Principal entertainment features will be a 1,500-seat live show theater (or amphitheater) and a log flume ride. The terminal for a proposed narrow gauge train ride will be located here as well, and an aerial tram station may be added in a later phase. There will also be a \$1 million historical balloon exhibit, including a large hot air balloon that will serve as the theme structure for the attraction. The village will have frontage on a five-acre manmade lake.
- **Aviation Plaza.** A replica of the Wright Brothers bicycle shop will be the focal point of this section. Live actors and other techniques will be used to convey the story of the Wright Brothers in an interesting and lively manner. In a tribute to another milestone in aviation history, also located here will be a pavilion commemorating the flight of the Apollo 11 spacecraft which first put man on the moon.

- Red Baron Plaza/Early Bird Aerodrome. Whimsey will be the keynote of this section of the park, to feature a sizable fast food version of the popular 94th Aero Squadron restaurants, an exhibit centered around aviator Eddie Rickenbacker, antique car ride, and vintage aircraft displays.
- Airshow Grandstand. The park's most important entertainment program will be located in this theme section. A daily (subject to weather conditions) late-afternoon air show will be presented, featuring aerial acrobatics in barnstorming-era planes. Unlike traditional air shows, however, this program will not consist solely of stunts and precision maneuvers designed mainly for maximum thrill value. Rather, it will have a scripted story and place emphasis on showmanship. Grandstand seating capacity will be in the range of 3,000 to 4,000 seats, with roughly equivalent standing-room capacity available in an adjacent lawn area and along the 5,000-foot runway.
- Barnstormers Fair. An old country fair nostalgia will prevail in this section of the park. A 400-seat folk music theater, large games arcade and shooting gallery, an antique carousel, and several children's rides will be developed, along with a substantial fast foods complex.
- Old Lindbergh Field. This park section will be centered around a replica of the historic terminal building at Lindbergh Field (San Diego International Airport). Entertainment content will encompass a \$5 million "cargo" roller coaster ride, bumper cars, other minor rides, a 500-seat show facility, and possibly a major dark ride drawing on the experiences of Charles Lindbergh in a future phase. This attraction will have a functional purpose as well by serving as the control tower for the park's air show.

- Silver Wings Field. In a tribute to the Eighth Air Force in Europe during World War II, this theme area will feature displays of military aircraft. It will also include a \$3 million dirigible occupying a hangar some 80 feet high, which will offer a simulated flight experience by means of an IMAX-type presentation in a 500-seat theater. An arcade, a "military" obstacle course patterned after the Eric MacMillan childrens' playgrounds but appealing to adults as well, and quonset hut fast food outlets will round out this section.
- Aerosports. Non-power flight--balloons, gliders, skydiving--will be highlighted in the Aerosports section. A couple of children's rides, a shuttle loop coaster, and a disco will constitute the entertainment components.
- Aerospace Plaza. Space exploration and future developments in aviation provide the thematic material for this attraction area, the largest of the nine proposed. A sophisticated space exhibit (possibly developed by North American Rockwell), a "aviation showcase" displaying modern aircraft, kiddie rides, and a major restaurant will be the chief components. Although not scheduled for the first phase of the project, an \$8 million loop roller coaster called "The Meteor" is also planned for this area.

It is estimated that eight to 10 years will be required to fully implement all of the facilities envisioned for Aero World. The basic components of each theme area, however, will be constructed as a single, initial phase, with the possible exception of the Aerosports area. The material covered by the latter section, the developers feel, could be treated temporarily in the Aerospace Plaza section if budget considerations dictate. Future phases would be a process of in-filling and expanding the basic elements as outlined above.

The total first-phase investment requirement is estimated in the neighborhood of \$55 to \$70 million, with the ultimate investment perhaps as much as \$200 million. A major component of the Phase I budget is a \$12 million allocation for rides, which will have a total hourly capacity of some 20,000 persons, as indicated in Table 1. Ride capacity will be supplemented by arcades, and the shooting gallery, and the various exhibit attractions, and there will also be up to 7,000 theater seats in the five planned show facilities listed below:

	<u>Total Seating Capacity</u>
European Village Theater	1,500
Airshow Grandstand	3,000-4,000
Dirigible Theater	500
Movieland Theater	500
Folk Music Theater	<u>400</u>
Total	5,900-6,900

The food service space allocation for Phase I totals approximately 53,600 square feet, about 35 percent of which will be concentrated in the European Village area. Another 36,400 square feet will be devoted to merchandise sales facilities, roughly half of this in the European Village section. One possibility being entertained by Aero World's developers is that if the San Diego market does not warrant operation of the entire attraction on a daily basis year-round, the European Village area might be designed to enable independent operation as a specialty shopping and dining center that would be open all year. Total retail space to be available in this area during the initial phase amounts to about 37,000 square feet, encompassing two major restaurants (Italian and German), three fast food outlets, 15 shops, and the 4,200-square foot crafts bazaar.

In addition to these physical facilities, the attraction would also offer several major festivals each year as promotional events. Envisioned are a "Renaissance Fair"-style event in the spring, an Oktoberfest in fall, a Christmas pageant, and so on.

Table 1
PROPOSED AERO WORLD RIDE CONTENT
Phase 1

	<u>Hourly Capacity (persons)</u>
Major Rides	
Flume	3,000
"Cargo" Coaster	2,000
Shuttle Loop Coaster	1,200
Himalaya	1,440
Monster	1,000
Rotor	1,200
Flying Chairs	750
Paratrooper (parachute)	120
Scrambler	600
Flying Scooters	300
Train Ride (6 cars)	1,920
Antique Cars	<u>1,440</u>
Subtotal	14,970
Children's Rides	
Bumper Cars	1,000
Carousel	720
Obstacle Course	400
Kiddie Coaster	600
Kiddie Rides (7)	<u>2,400</u>
Subtotal	<u>5,120</u>
Total	20,090

Source: Aero World.

The conceptual plan for Aero World as just described is naturally subject to revision in accordance with attendance potential as determined in this and other studies. It nevertheless provides a basic statement of project scope and content that will enable comparisons with other major attractions serving the Southern California market.

SITE ENVIRONMENT

The site selected for a recreation attraction plays a critical role in operating performance. Key site considerations evaluated subsequently include accessibility, visibility, compatibility of surrounding land uses, weather conditions, and the presence of competing attractions.

Locational Characteristics

It was mentioned earlier in this report that the Aero World site is located within the northern limit of the City of San Diego near the community of Miramar. Figure 1 shows its location just east of the intersection of Interstate Highways 5 and 805. Direct access to the site from these freeways is provided by Mira Mesa Boulevard, as illustrated in Figure 2. The site is within a 30-minute drive of virtually any populated section of San Diego County and is readily accessible from other points in the broader Southern California region via the freeway network. Access conditions may thus be described as excellent.

This portion of San Diego County is hilly and crisscrossed with canyons. The Aero World property is primarily situated atop a broad mesa in the midst of these canyons, which gives it excellent visibility from the freeways below. A potential disadvantage may be inherent in this visibility: major surface arterials in the site vicinity may provide a vantage point from which to view the air show without entering the park. Although any "free-loaders" would not have benefit of the audio content of the show nor be able to see any action which takes place on the ground, appropriate parking restrictions and traffic control measures will probably be required to prevent exploitation of this viewing potential.

Figure 1

REGIONAL ORIENTATION OF THE
AERO WORLD SITE

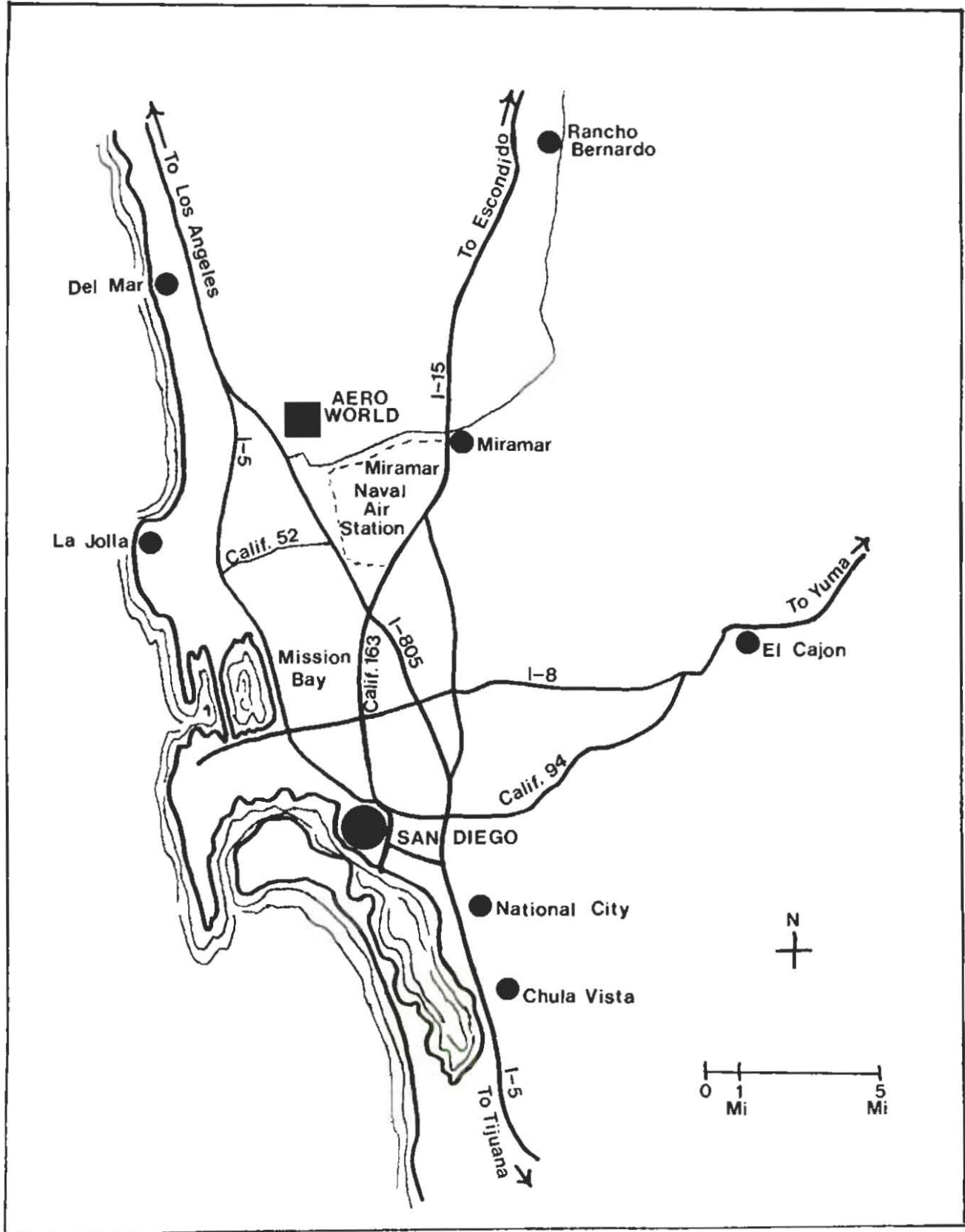
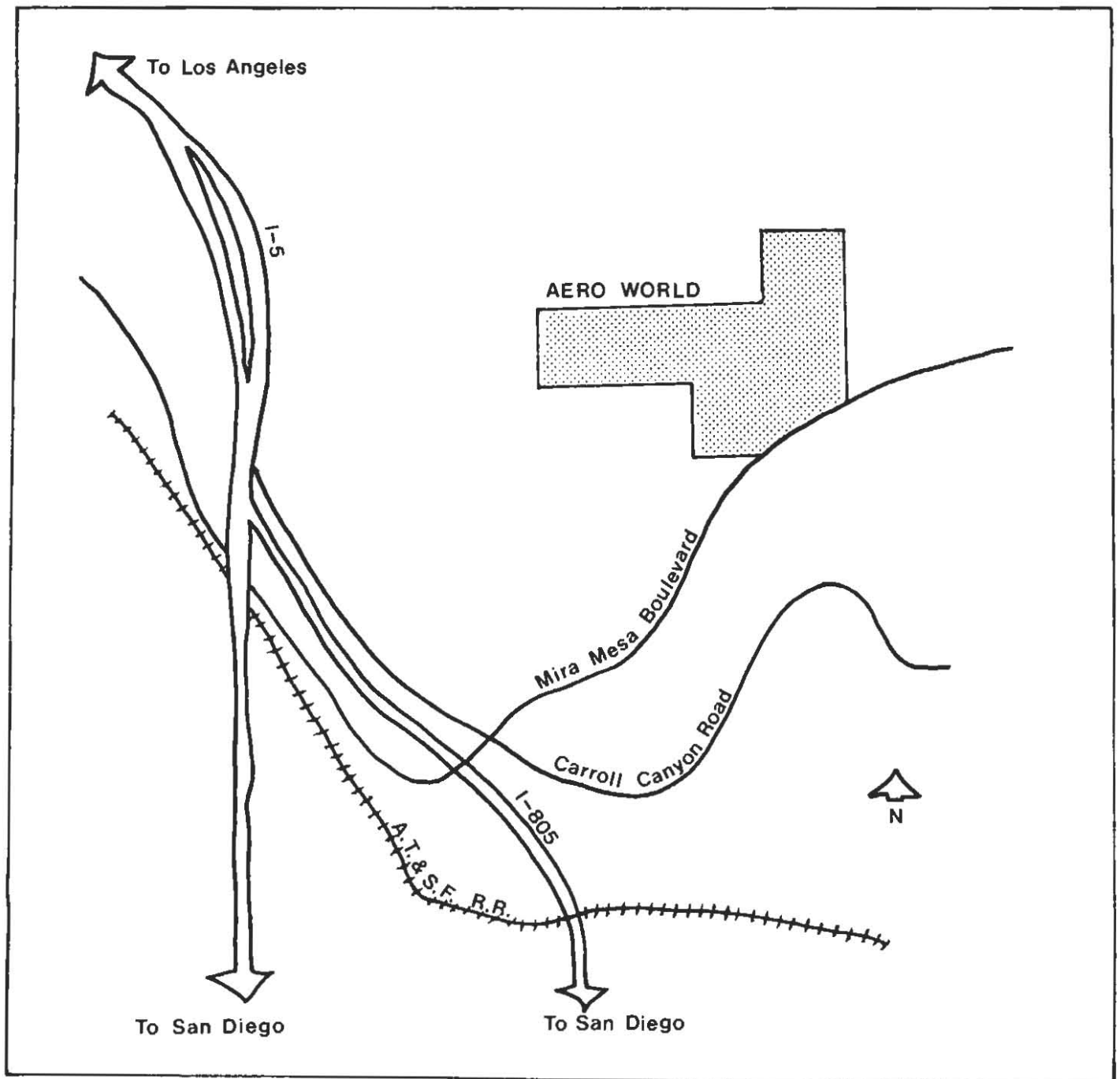


Figure 2
AERO WORLD SITE VICINITY



Variable elevations on the site will allow for appealing architectural treatments, but terrain is not so rugged that visitor circulation is impeded. Existing vegetation is almost exclusively grassland, with a few large oaks dotting the mesas. A fairly extensive landscaping effort is indicated to provide shade, windbreaks, a perimeter buffer zone, and aesthetic interest.

Land uses immediately surrounding the subject site include light industrial-office park development and some housing. The next section of this report will reveal that this is one of the fastest-growing districts in San Diego County and continued rapid absorption of surrounding land by business/industry and residential uses is expected. These uses are compatible with the proposed attraction given adequate buffering and present no unusual problems. The potential that Mira Mesa Boulevard could be overtaxed by traffic destined to the park as well as the adjacent industrial area is largely mitigated by the fact that peak visitation periods at Aero World (mid-afternoon hours and, especially, weekends) will not coincide with commuter travel. Beyond the immediate periphery, the dominant land use is the Miramar Naval Air Station, with most other land in this vicinity being vacant at present. Some noise from Navy jets will be encountered, but this will be sporadic rather than constant and should not be a major nuisance--it may, in fact, inadvertently contribute to the general entertainment ambience at Aero World by offering a contrast between the serious business of aviation and the largely fantasy realm of the park.

Weather Conditions

An important factor with respect to the seasonality of operations at Aero World is local weather conditions. The San Diego climate has often been described as one of the most perfect in the world, with pleasantly warm, dry summers and moderate winters. Table 2 summarizes temperature and rainfall norms for the area, and it can be seen that there are no uncomfortable extremes in either case. Fog can be a problem at certain times of year, but the Aero World site is located sufficiently inland and above the coastal fog belt. Of greater significance is that

Table 2
WEATHER CONDITIONS IN THE
SAN DIEGO AREA^{1/}

<u>Month</u>	<u>Temperature (°F)</u>		<u>Total Precipitation (inches)</u>
	<u>Average Maximum</u>	<u>Average Minimum</u>	
January	64.6	45.8	1.88
February	65.6	47.8	1.48
March	66.0	50.1	1.55
April	67.6	53.8	0.81
May	69.4	57.2	0.15
June	71.1	59.9	0.05
July	75.3	63.9	0.01
August	77.3	65.4	0.07
September	76.5	63.2	0.13
October	73.8	58.4	0.34
November	70.1	51.5	1.25
December	<u>66.1</u>	<u>47.2</u>	<u>1.73</u>
Annual	70.3	55.4	9.45

^{1/} Based on normals for the 30-year period 1941-1970.

Source: National Oceanic and Atmospheric Administration.

the site's elevation and hilly terrain make it subject to somewhat more wind than is generally characteristic of San Diego. It is anticipated that wind will occasionally force cancellation of the planned air show, as would the comparatively rare rainy day. When this happens, a critical entertainment component of the Aero World attraction will be missing, which is probably a greater hindrance to visitor satisfaction than the occasional unavailability of a major ride at, for example, Disneyland since there is no closely comparable experience that would be an acceptable substitute. Fortunately, this will not be a frequent occurrence; however, it may be appropriate to discount admission prices slightly on days when this show cannot take place.

Essentially, a year-round operating schedule could be maintained at Aero World given weather patterns. The question of operating period length will therefore rest with market factors such as the seasonal distribution of tourist and travel activity, to be examined later in this report.

Competitive and Complementary Facilities

The climate and ocean ambience of San Diego has been a major factor in the area's development as a major tourism/recreation destination, which has in turn supported the development of several major entertainment attractions. Chief among these are the world-famous San Diego Zoo, Sea World, and the San Diego Wild Animal Park in nearby Escondido. These three attractions together draw some 7 million visitors annually and constitute an essential part of the Southern California recreation facility inventory. Outstanding as these attractions may be, they all have an animal orientation and will not be directly competitive to Aero World, which will provide the only major ride experiences and air show available in the San Diego area. The relationship of these facilities to Aero World will thus be by and large complementary, thereby opening up opportunities for cooperative marketing and promotion. Aero World will similarly complement the historical/cultural complex at Old Town State Park and the scenic/water recreation attraction of Cabrillo National Monument, two other leading attendance-generators in San Diego. Similarly, the existing aviation museums in San Diego, although of

high caliber, are viewed as complementary in consideration of their limited scope and purely spectator orientation. Aero World, furthermore, is not intended to compete as an educational facility nor as a haven for a small contingent of aviation buffs; instead, it seeks to enliven and dramatize the subject of aviation through the ages.

In San Diego itself, then, the competitive situation is favorable. Aero World will tend to compete more intensively, on the other hand, with other major amusement parks in Southern California where entertainment content is more comparable, such as Disneyland, Knott's Berry Farm, or Magic Mountain. Even though Aero World is thematically unique and incorporates an exciting air show not available elsewhere, there is a considerable generic overlap in ride and show offerings. As a result, penetration of markets beyond San Diego and adjacent sections of Orange and Riverside counties will be inhibited by the strength of regional competition. This factor will be explored in more depth in the concluding section of this report.

Section 4

MARKET SUPPORT ANALYSIS

The magnitude and quality of available market support, including that derived from both resident and tourist sources, is examined in this section of the report. Findings in this regard will be a major input to the Aero World attendance estimates developed in the next section. There is a necessary preface to the analysis which follows: the experience of Southern California's leading recreation attractions during the 1970s (to be evaluated in Section 5) demonstrates that extraordinary socioeconomic forces are at work in the marketplace. While the persistent national economic recession of the last several years has had a measurable impact on attraction performance, it is not the only, nor even the most important, factor in what appears to be a nearing saturation of the available market. It would accordingly be fallacious to undertake an analysis of attendance potential at a new attraction without attempting to isolate the effects of the temporary economic crunch from the long-term trends that will govern industry performance for many years to come. The following discussion therefore explores certain demographic considerations that demand attention.

AVAILABLE RESIDENT MARKET

The first of two broad categories of market support available to Aero World is the regional resident population. The paragraphs to follow highlight the principal quantitative and qualitative characteristics of this market.

Population Trends

The resident market available to Aero World is defined as the regional population within about 250-300 miles of San Diego. This radius effectively encompasses nine Southern California counties, as listed in Table 3. Historically, this region has experienced several periods of explosive population and economic growth

Table 3
POPULATION TRENDS IN THE SOUTHERN CALIFORNIA
REGIONAL MARKET
1970-1980
(thousands)

County	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Average Annual Change 1970-1980
Imperial	74	75	77	79	82	84	86	87	90	94	92	2.2%
Kern	330	336	338	339	340	348	356	361	369	373	403	2.0
Los Angeles	7,042	7,051	6,983	6,960	6,954	6,947	7,008	7,046	7,108	7,128	7,478	0.6
Orange	1,421	1,485	1,530	1,595	1,658	1,713	1,756	1,796	1,833	1,874	1,932	3.1
Riverside	457	477	487	501	514	525	543	573	606	634	664	3.8
San Bernardino	682	692	691	689	691	697	710	732	773	811	893	2.7
San Diego	1,358	1,382	1,425	1,475	1,521	1,594	1,614	1,681	1,738	1,800	1,862	3.2
Santa Barbara	264	270	270	274	278	281	286	289	293	295	299	1.3
Ventura	378	394	405	416	428	441	452	466	482	500	530	3.4
Total	12,006	12,162	12,206	12,328	12,459	12,630	12,811	13,031	13,292	13,509	14,153	1.7%
State of California	19,971	20,265	20,437	20,665	20,907	21,198	21,522	21,890	22,297	22,694	23,669	1.7%
Southern California as Percent of State	60.1%	60.0%	59.7%	59.7%	59.6%	59.6%	59.5%	59.5%	59.6%	59.5%	59.8%	--

Source: U.S. Bureau of the Census, California Department of Finance, and Harrison Price Company.

for which it received national recognition. This burgeoning population, moreover, tended to be better educated, more affluent, younger, more mobile, and more ethnically diverse than most other sections of the country, thereby creating an extraordinary market for countless goods and services, not the least of which was the entertainment industry.

In contrast to the historical trend, the past decade has witnessed a dramatic slowing of population growth. As the table shows, over the past decade, the Southern California region has grown at a modest rate of 1.7 percent annually, equivalent to the rate reported for the state overall and somewhat higher than the 1.1 percent national average rate. The current rate of growth, however, is a dramatic decline from historical experience, as illustrated below:

	Average Annual Increase in Population	
	<u>Southern California</u>	<u>United States</u>
1950-1960	4.7%	1.7%
1960-1970	2.5	1.6
1970-1980	1.6	1.1

The "baby boom" of the 1946-1964 period was the chief impetus for the extremely high growth of the 1950s and early 1960s, and California was the national center of the boom generation as their parents moved to this state in unprecedented numbers.

Even though the overall pace slacked off during the 1970s, there were significant pockets of sustained high growth, most notably the four counties (Orange, Riverside, San Bernardino, and San Diego) comprising the nearby regional market for Aero World. The pattern for this subarea, along with that of Ventura County, which also registered strong gains, is as follows:

	Average Annual Increase in Population	
	<u>Four-County Nearby Market</u>	<u>Ventura County</u>
1950-1960	7.6%	5.6%
1960-1970	4.4	6.6
1970-1980	3.1	3.4

These same five counties are expected to continue to record above-average growth during the current decade, as presented in Table 4, while Southern California as a whole maintains its present slow pace. Total regional population will amount to 15.3 million by 1985 and 16.5 million by 1990. The nearby four-county share of this market, shown below, will have doubled between 1950 and 1990:

	<u>Four Counties As Percent Of Total Southern California</u>
1950	21%
1960	27
1970	33
1980	38
1985 (projected)	40
1990 (projected)	41

Within San Diego County itself, there are likewise substantial pockets of growth. Table 5 reveals that over the past decade, exceptionally high rates of population increase have been associated with the North County and North City districts, which together represented 37 percent of the county total in 1970 and 45 percent of the total by 1980. As indicated in Figure 3, the Aero World site is favorably located in the midst of this growth area, which provides a strong base of immediately proximate support.

Table 4

**POPULATION PROJECTIONS FOR THE
SOUTHERN CALIFORNIA REGIONAL MARKET
1980-1990
(thousands)**

<u>County</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>Average Annual Rate of Increase 1980-1990</u>
Imperial	92	104	116	2.3%
Kern	403	453	502	2.2
Los Angeles	7,478	7,763	8,047	0.7
Orange	1,932	2,136	2,339	1.9
Riverside	664	797	929	3.4
San Bernardino	893	1,075	1,257	3.5
San Diego	1,862	2,072	2,281	2.0
Santa Barbara	299	314	329	1.0
Ventura	<u>530</u>	<u>633</u>	<u>735</u>	<u>3.3</u>
Total	14,153	15,347	16,535	1.6%

Source: U.S. Bureau of the Census, California Department of Finance,
and Harrison Price Company.

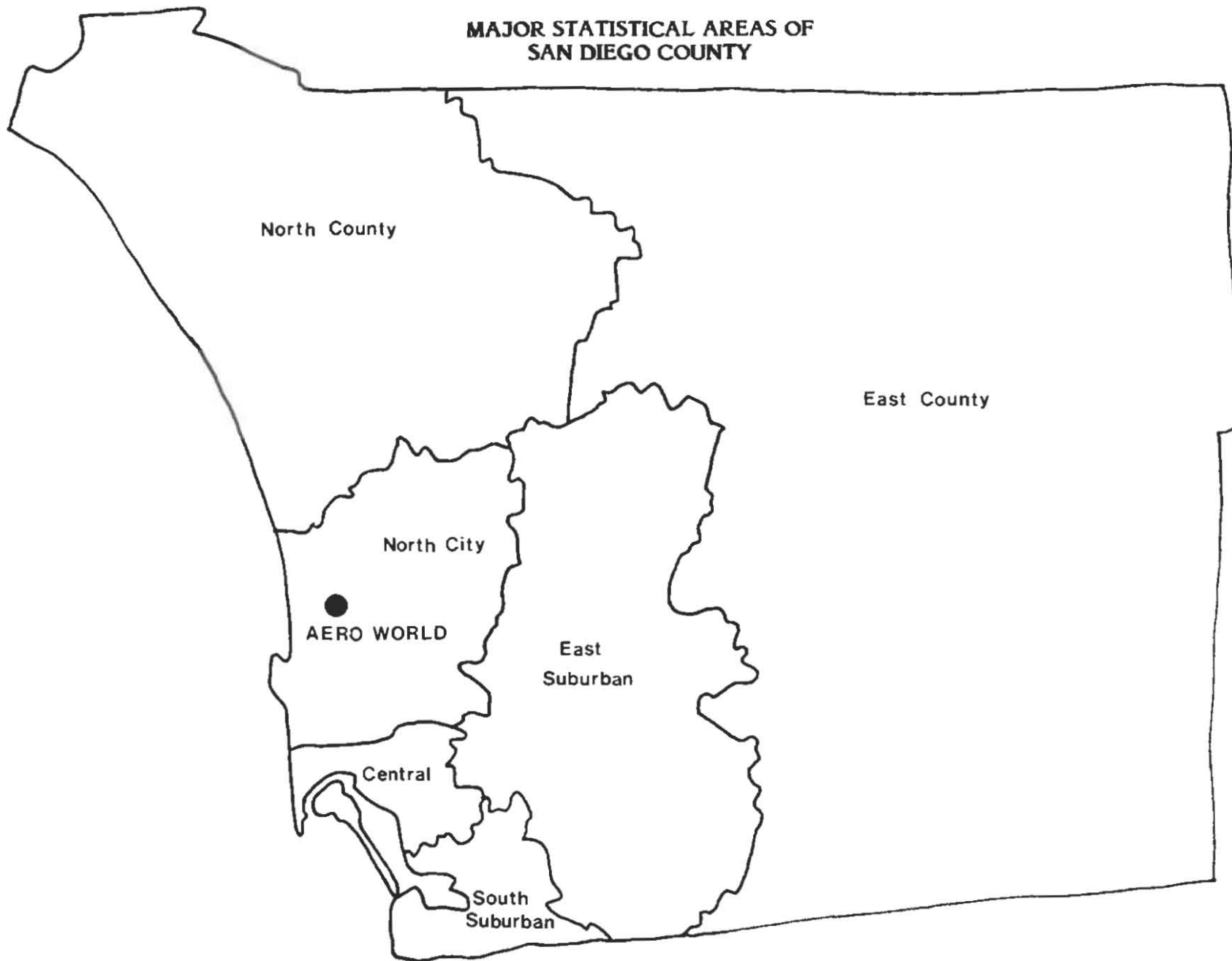
Table 5
SAN DIEGO COUNTY POPULATION TRENDS
1970-1981

<u>Statistical Area</u>	<u>Total Population (thousands)</u>		<u>Average Annual Increase</u>
	<u>1970</u>	<u>1981</u>	
Central	474	506	0.6%
North City	289	444	4.0
South Suburban	139	198	3.3
East Suburban	228	337	3.6
North County	220	402	5.6
East County	<u>8</u>	<u>13</u>	<u>4.5</u>
Total	1,358	1,900	3.1%

Source: San Diego Department of Planning and Land Use
and Harrison Price Company.

Figure 3

MAJOR STATISTICAL AREAS OF
SAN DIEGO COUNTY



Age Characteristics

In addition to growing more slowly, the Southern California market is also becoming older as the boom babies reach maturity. As of 1980, the huge boom cohort was between 18 and 34 years of age. Recombining the age groups presented in Table 6 into larger components, the Southern California region shows the following trend in age distribution:

	Percent Distribution by Age Group		
	<u>1975</u>	<u>1980</u>	<u>1990</u>
0-9 Years	15.3%	14.8%	16.3%
10-19 Years	18.4	16.6	13.4
20-49 Years	42.8	44.8	46.5
50 or More Years	<u>23.5</u>	<u>23.8</u>	<u>23.8</u>
Total	100.0%	100.0%	100.0%

These percentages translate into the absolute numbers shown below:

	Total Population by Age Group (thousands)		
	<u>1975</u>	<u>1980</u>	<u>1990</u>
0-9 Years	1,932	2,095	2,695
10-19 Years	2,324	2,349	2,216
20-49 Years	5,406	6,341	7,689
50 or More Years	<u>2,968</u>	<u>3,368</u>	<u>3,935</u>
Total	12,630	14,153	16,535

As indicated, the number of young children (under 10 years of age) is growing the most rapidly (an increase of 29 percent between 1980 and 1990), followed by the young and middle adult group (20 to 49 years, which will increase by 21 percent

Table 6
AGE DISTRIBUTION OF THE SOUTHERN CALIFORNIA
RESIDENT POPULATION
1975-1990

	<u>1975</u>	<u>1980</u>	<u>1990</u>
Total Population (thousands) ^{1/}	12,630	14,153	16,535
Percent Distribution by Age Group			
0-4 Years	7.2%	7.9%	8.2%
5-9 Years	8.1	6.9	8.1
10-14 Years	9.2	7.8	7.1
15-19 Years	9.2	8.8	6.3
20-29 Years	17.8	17.7	15.4
30-39 Years	13.6	15.9	16.8
40-49 Years	11.4	11.2	14.3
50-59 Years	10.2	10.0	9.1
60 or More Years	<u>13.3</u>	<u>13.8</u>	<u>14.7</u>
Total	100.0%	100.0%	100.0%
Median Age (years)	28.23	30.54	32.65

^{1/} Nine counties as indicated in Table 3.

Source: California Department of Finance and Harrison Price Company.

between 1980 and 1990), and the older adult group (increasing by 17 percent over this period). Most notably, the number of teenagers is dropping, which is of profound significance to the attractions industry, particularly the ride-dominated parks which cater to the teen market.

Median age of the Southern California population, as presented in Table 7, is expected to rise almost 4.5 years between 1975 and 1990. This age shift, moreover, will be greater in Orange, Riverside, San Bernardino, and San Diego counties, which will together gain 5.5 years in median age during the period:

	<u>Median Age of the Four-County Nearby Area</u>
1975	27.41
1980	30.03
1990	32.93

In San Diego County taken separately, there will be a 5.13-year rise in median age. The maturation of the market affects not only propensity to attend recreation attractions, but also influences the mix of entertainment content offered at those attractions.

Household Characteristics

Another changing demographic trend is a decline in average household size. Among the many influences underlying this trend are the sharp decline in the fertility rate, advances in medicine which prolong the lifespan (with older people tending to live alone or in small households), an increasing number of young adults who are leaving the parental home earlier to establish non-family households, a constantly rising divorce rate, a declining marriage rate coupled with an increasing number of marriages occurring at a later age, and the growing number of working women and its influence on concepts of ideal family size.

Table 7
MEDIAN AGE OF THE SOUTHERN CALIFORNIA
RESIDENT POPULATION BY COUNTY
1975-1990

<u>County</u>	<u>Median Age (years)</u>		
	<u>1975</u>	<u>1980</u>	<u>1990</u>
Imperial	25.63	27.28	30.22
Kern	27.74	28.76	30.96
Los Angeles	30.01	31.11	32.77
Orange	28.22	30.51	34.26
Riverside	30.63	31.96	34.37
San Bernardino	27.64	29.05	31.44
San Diego	27.34	29.34	32.47
Santa Barbara	28.09	30.35	34.39
Ventura	<u>26.74</u>	<u>28.93</u>	<u>32.05</u>
Nine-County Median	28.23	30.54	32.65

Source: California Department of Finance and Harrison Price Company.

Average household size in the Southern California region in 1970 was 2.85 persons, and this steadily declined to 2.60 persons by 1980, as indicated in Table 8. For the four-county nearby market, household size decreased even faster over this period, as shown below:

	<u>Average Number of Persons Per Household</u>
1970	2.94
1973	2.98
1977	2.72
1980	2.54

As shown, while the four-county area had slightly larger households than the region as a whole in 1970, by 1980 it had smaller households than the region overall. The number of persons per household is projected to continue to decrease through about 1990 and then level off at some 2.4 to 2.5 persons.

Family households are also losing ground to non-family households as a result of the socioeconomic factors noted previously. In 1950, nearly 90 percent of all U.S. households were comprised of families, as Table 9 reveals. By 1980, less than 75 percent were family households. Within the growing non-family category, single-person households have shown the most dramatic increase, rising from only 9 percent of the total in 1950 to 23 percent by 1980. This increase in the singles category cuts across all age groups, but is primarily associated with the two extremes of the adult market--young adults and older adults. A significant marketing challenge is implied for amusement parks in the decline of the family and the surge in single-persons households.

Income Characteristics

In the context of rising amusement attraction prices, the single most important demographic factor is the income level of the market. Owing chiefly to a

Table 8
TOTAL HOUSEHOLDS IN THE SOUTHERN CALIFORNIA
RESIDENT MARKET
1970-1980
(thousands)

<u>County</u>	<u>1970</u>	<u>1973</u>	<u>1977</u>	<u>1980</u>
Imperial	23	24	28	32
Kern	110	113	121	156
Los Angeles	2,542	2,553	2,704	2,856
Orange	463	515	660	721
Riverside	169	173	214	295
San Bernardino	252	232	259	370
San Diego	451	509	625	720
Santa Barbara	89	92	105	115
Ventura	<u>113</u>	<u>127</u>	<u>156</u>	<u>184</u>
Total	4,212	4,338	4,872	5,449
Population Per Household	2.85	2.84	2.67	2.60

Source: U.S. Bureau of the Census, Sales Management, and Harrison Price Company.

Table 9
TRENDS IN HOUSEHOLD COMPOSITION FOR THE
UNITED STATES
1950-1980

<u>Year</u>	<u>Total Households (thousands)</u>	<u>Family Households As Percent of Total</u>	<u>Non-Family Households As Percent of Total</u>		<u>Total</u>
			<u>Two or More Persons</u>	<u>Single Person</u>	
1950	43,554	89.2%	1.7%	9.1%	10.8%
1960	52,779	85.0	1.9	13.1	15.0
1970	63,401	81.2	1.7	17.1	18.8
1971	64,778	80.4	1.9	17.7	19.6
1972	66,676	79.7	2.0	18.3	20.3
1973	68,251	79.5	2.0	18.5	20.5
1974	69,859	78.6	2.3	19.1	21.4
1975	71,120	78.1	2.3	19.6	21.9
1976	72,867	76.9	2.5	20.6	23.1
1977	74,142	76.2	2.9	20.9	23.8
1978	76,030	74.9	3.1	22.0	25.1
1979	77,330	74.4	3.4	22.2	25.6
1980	79,080	73.8	3.6	22.6	26.2

Source: U.S. Bureau of the Census and Harrison Price Company.

huge increase in two-income families, average per capita income in the Southern California region has continued to grow in price-adjusted terms, as illustrated in Tables 10 through 12. Before correction for inflation, Table 10 shows that the weighted average per capita income for the nine-county area grew at a compound rate of 9.2 percent annually between 1970 and 1979. After adjusting for inflation, real growth amounted to 1.7 percent annually, as shown in Table 12.

The very small degree of real growth achieved in 1979 over 1978, only 1.1 percent, is significant. Many demographers believe that the number of two-income families--nationally, about half the total as of 1978--is already at or approaching its ultimate level, suggesting that real gains in income will be difficult to maintain given the current pace of inflation. The increasing ethnicity of the market has also played a role in this trend due to the usually lower income levels of ethnic minorities. While individual county figures for 1980 and 1981 are not yet available, at the statewide level, real per capita income was down by a hefty 3.7 percent in 1980 versus 1979. Another decrease, albeit much less severe, was recorded in 1981 versus 1980, when real per capita income in the state fell 1.1 percent. In view of the fact that the cost of attending an amusement park (admission, food, beverage, and miscellaneous outlays) has tended to rise faster than the general rate of inflation over the past decade, it is no surprise that most attractions are experiencing an unaccustomed squeeze on attendance growth.

AVAILABLE TOURIST MARKET

The other half of the Southern California attractions market is comprised of tourists. Unfortunately, there is no single reliable reference or indicator of either the volume or the qualitative aspects of this market. By aggregating data from a variety of sources, however, and making certain independent adjustments, the following paragraphs highlight some of the key measures of area tourist activity.

Southern California Tourism Indicators

The Southern California Visitors Council and its successor organization, the Greater Los Angeles Visitors and Convention Bureau, have measured out-of-state

Table 10

**PER CAPITA PERSONAL INCOME IN THE SOUTHERN CALIFORNIA
REGIONAL MARKET
1970-1979
(current dollars)**

<u>County</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Imperial	\$4,410	\$4,922	\$4,906	\$5,307	\$5,947	\$5,976	\$6,062	\$5,623	\$6,669	\$ 8,007
Kern	3,700	3,925	4,134	4,572	5,479	5,788	6,577	6,901	7,390	8,614
Los Angeles	4,659	4,840	5,262	5,757	6,343	6,910	7,522	8,336	9,347	10,606
Orange	4,951	5,021	5,112	5,505	6,042	6,634	7,278	8,242	9,327	10,547
Riverside	3,852	3,997	4,129	4,589	4,954	5,528	6,056	6,757	7,513	8,431
San Bernardino	3,514	3,709	4,103	4,396	4,857	5,343	5,887	6,739	7,458	8,381
San Diego	4,342	4,601	4,856	5,251	5,617	6,013	6,580	7,202	7,982	8,908
Santa Barbara	4,286	4,464	4,760	5,193	5,798	6,332	6,979	7,653	8,676	9,941
Ventura	<u>3,988</u>	<u>4,099</u>	<u>4,378</u>	<u>4,716</u>	<u>5,114</u>	<u>5,507</u>	<u>5,995</u>	<u>7,066</u>	<u>7,967</u>	<u>9,011</u>
Weighted Average	\$4,505	\$4,680	\$5,011	\$5,448	\$5,994	\$6,516	\$7,115	\$7,899	\$8,835	\$ 9,989
Change From Previous Year	--	3.9%	7.1%	8.7%	10.0%	8.7%	9.2%	11.0%	11.8%	13.1%

Source: U.S. Bureau of Economic Analysis, Security Pacific National Bank, and Harrison Price Company.

Table 11
CONSUMER PRICE INDEX FOR
SOUTHERN CALIFORNIA
1970-1981

<u>Year</u>	<u>United States</u>	<u>Consumer Price Index (1967=100)</u>		
		<u>Los Angeles- Orange Counties</u>	<u>San Diego County</u>	<u>Southern California Weighted Average</u>
1970	116.3	114.3	115.3	114.4
1971	121.3	118.5	119.8	118.7
1972	125.3	122.3	124.4	122.6
1973	133.0	129.2	132.5	129.7
1974	147.7	142.5	147.2	143.2
1975	161.2	157.6	160.8	158.1
1976	170.5	168.0	170.7	168.4
1977	181.5	179.6	182.0	180.0
1978	195.4	192.8	200.1	194.0
1979	217.4	213.7	233.1	216.9
1980	246.8	247.3	268.5	250.8
1981	272.4	274.8	303.9	279.7

Source: U.S. Bureau of Labor Statistics and Harrison Price Company.

Table 12

PER CAPITA PERSONAL INCOME IN THE SOUTHERN CALIFORNIA
REGIONAL MARKET
1970-1979
(constant 1967 dollars)

<u>County</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Imperial	\$3,855	\$4,147	\$4,002	\$4,092	\$4,153	\$3,780	\$3,600	\$3,124	\$3,438	\$3,692
Kern	3,234	3,307	3,372	3,525	3,826	3,661	3,906	3,834	3,809	3,971
Los Angeles	4,073	4,078	4,292	4,439	4,429	4,371	4,467	4,631	4,818	4,890
Orange	4,328	4,230	4,170	4,244	4,219	4,196	4,322	4,579	4,808	4,863
Riverside	3,367	3,367	3,368	3,538	3,459	3,497	3,596	3,754	3,873	3,887
San Bernardino	3,072	3,125	3,347	3,389	3,392	3,380	3,496	3,744	3,844	3,864
San Diego	3,795	3,876	3,961	4,049	3,922	3,803	3,907	4,001	4,114	4,107
Santa Barbara	3,747	3,761	3,883	4,004	4,049	4,005	4,144	4,252	4,472	4,583
Ventura	<u>3,486</u>	<u>3,453</u>	<u>3,571</u>	<u>3,636</u>	<u>3,571</u>	<u>3,483</u>	<u>3,560</u>	<u>3,926</u>	<u>4,107</u>	<u>4,154</u>
Weighted Average	\$3,938	\$3,943	\$4,087	\$4,200	\$4,186	\$4,121	\$4,225	\$4,388	\$4,554	\$4,605
Change From Previous Year	--	0.1%	3.7%	2.8%	(0.3)%	(1.6)%	2.5%	3.9%	3.8%	1.1%

Source: Tables 10 and 11 and Harrison Price Company.

travel to Southern California. Their figures, presented in Table 13, reveal an increase from 8.4 million visitors in 1970 to 9.8 million in 1981, for a 1.4 percent annual average growth rate. This comparatively slow rate of increase reflects the region's mature, stable tourist industry, as well as the socioeconomic factors influencing industry performance.

Available data are incomplete, but it is widely believed that foreign tourists constitute the fastest-rising segment of the Southern California tourist market. Certainly, foreign arrivals have been growing rapidly at the national level, with particularly large increases in the Japanese and European markets (the Japanese market has been growing by some 18 percent annually since 1970, while growth in the European market has averaged 12 percent per year) owing to favorable exchange differentials and growth in charter flight availability.

Because Southern California is a major U.S. point of entry for foreign visitors, especially the Pacific and Mexican markets, it is likely that the region is capturing a substantial share of this volume. Available data suggest a level of 12 to 13 percent of the national total, which would yield some 3.1 million foreign visitors to Southern California during 1981. Of this total, an estimated 30 percent originated in Canada, another 30 percent in Mexico, and 10 percent in Japan.

Development of a definitive current estimate of tourism to Southern California is beyond the scope of the present assignment; however, because a rough benchmark is needed against which attraction performance can be monitored, Harrison Price Company combined data from a variety of sources to arrive at the order of magnitude estimates presented in Table 14. While the accuracy of the figures is admittedly limited, they provide a relative standard for market penetration rates to be discussed later in this report. As indicated, the total tourist market--intrastate, out-of-state, and foreign--is roughly estimated as some 19 million visitors currently, up from 14 million in 1970. The implicit rate of growth is 2.8 percent per year, which should not be an unreasonable conclusion as to the market's rate of expansion. It should be noted that this total includes an indeterminate, but sizable complement of business visitors and other people destined to Southern California for purposes other than recreation.

Table 13
OUT-OF-STATE VISITATION TO
SOUTHERN CALIFORNIA
1970-1981
(thousands)

<u>Year</u>	<u>Total Visitors</u>
1970	8,410
1971	7,690
1972	8,000
1973	8,400
1974	8,360
1975	8,480
1976	9,500
1977	9,900
1978	10,000
1979	9,700
1980	9,800
1981e	9,800
Average Annual Rate of Increase	1.4%

e means estimated

Source: Southern California Visitors Council (now Greater Los Angeles Visitors and Convention Bureau) and Harrison Price Company.

Table 14
ORDER OF MAGNITUDE ESTIMATE OF TOURISM
TO SOUTHERN CALIFORNIA^{1/}
1970-1981
(thousands)

<u>Year</u>	<u>Intrastate</u>	<u>Out-of-State</u>	<u>Foreign</u>	<u>Total</u>
1970	4,000	8,400	1,600	14,000
1971	4,200	7,700	1,600	13,500
1972	4,500	8,000	1,500	14,000
1973	5,300	8,400	1,700	15,400
1974	5,400	8,400	1,700	15,500
1975	5,700	8,500	1,900	16,100
1976	6,100	9,500	2,200	17,800
1977	6,100	9,900	2,300	18,300
1978	6,000	10,000	2,400	18,400
1979	5,900	9,700	2,600	18,200
1980	6,000	9,800	2,900	18,700
1981	6,100e	9,800e	3,100e	19,000e

e means estimated.

^{1/} Figures derived by aggregating data (not entirely comparable) from a variety of sources; should be regarded as a rough approximation only.

Source: U.S. Bureau of Economic Analysis, U.S. Travel Service, Southern California Visitors Council, San Diego Visitor and Convention Bureau, California Department of Transportation, and Harrison Price Company.

The estimates show that since 1977, the growth curve has been flat due to recessionary pressures and gasoline cost/supply problems. The latter affect both auto and air visitors, particularly during the past two years. Weekend auto travel on California highways (which is mainly discretionary and recreational in nature) decreased by as much as 20 percent per month from year-earlier levels during the May-October 1979 gasoline crunch. Air travel continued to increase through that period, but at rates much lower than historical experience. By December 1979, however, air travel began to drop substantially as fare increases went into effect across the country. From January through September of 1980, the average monthly decrease from previous-year volume in passenger traffic at California commercial airports ranged from 7 to 12 percent.

In the U.S. overall, 1980 witnessed a 30 percent jump in airfares, and 1981 brought a further gain of more than 20 percent as once-heavy discounting disappeared with rising aviation fuel prices. So far in 1982, discounting has reappeared on selected routes, but at the same time, many airlines have eliminated less profitable routes and/or curtailed the frequency of service on profitable ones in an effort to raise load factors while reducing operating expenses.

In short, while the Southern California tourist market is extremely large, its boom days appear over. The one significant ray of hope is the foreign visitor segment, but this market is highly unpredictable due to fluctuations in exchange rates, economic and political conditions abroad, and sensitivity to airfares. Even allowing for continued high growth in foreign visitation, stabilization or decreases in the much larger intrastate and out-of-state market segments imply future overall rates of growth that are below historical experience. Harrison Price Company estimates that for the non-California markets (out-of-state and foreign), an annual rate of increase on the order of 2 percent is a realistic expectation for the remainder of this decade. This will result in a combined out-of-state and foreign visitor market of 13.9 million in 1985 and 15.3 million by 1990.

In the case of the intrastate, or Northern California, market, there is no compelling reason to anticipate any greater expansion than the rate of general

population increase in this area, or some 1.7 percent annually during the 1980s. Because the existing Southern California attractions to be analyzed in Section 5 express market penetration rates as a function of total Northern California population (as opposed to the part of that population base representing intrastate tourism), it is necessary to utilize a similar definition of the intrastate market in this analysis if comparisons are to be valid. Accordingly, the available Northern California market, which contained 9.5 million residents in 1980, will rise to 10.4 million by 1985 and 11.3 million by 1990. These figures, it will be noted, do not correspond to those of Table 14 due to the change in definition.

San Diego Visitor Activity

The San Diego Visitors and Convention Bureau prepares an excellent series of statistical data regarding tourist activity in San Diego County. As presented in Table 15, visitor volume has been growing at the appreciable rate of 4.8 percent annually over the past decade. Length of stay, on the other hand, has been decreasing (2.45 days average in 1970 to 2.29 days in 1981), as has real-dollar spending (losing a substantial \$4.50 per capita between 1970 and 1981). The effects of changing market demographics are clearly visible in these trends.

The majority of San Diego's visitors, however, originate in Los Angeles and Orange counties, which comprise a large weekend excursion market. When viewed in this manner, the San Diego "tourist" market overlaps the regional resident market as defined earlier and cannot be used as a basis for this analysis. The data consequently serve primarily as a generalized measure of the strong attraction San Diego has in a regional tourism/recreation context.

San Diego is also a leading convention city in California, as Table 16 indicates. The number of events held in the county nearly tripled between 1970 and 1981, while the total delegate count rose by some 60 percent. A four-fold increase was recorded in delegate spending; however, the margin of real growth after correcting for inflation began to erode in 1978, with continued decreases up to the

Table 15

**TRENDS IN TOURISM TO THE SAN DIEGO AREA
1970-1981**

<u>Year</u>	<u>Total Visitors (thousands)</u>	<u>Total Visitor-Days (thousands)</u>	<u>Average Length of Stay (days)</u>	<u>Total Expenditures (thousands)</u>		<u>Per Capita Expenditure</u>	
				<u>Current Dollars</u>	<u>Constant 1967 Dollars</u>	<u>Current Dollars</u>	<u>Constant 1967 Dollars</u>
1970	10,840	26,534	2.45	\$ 324,543	\$281,477	\$29.94	\$25.97
1971	11,210	27,035	2.41	346,468	289,205	30.91	25.80
1972	12,088	28,989	2.40	397,709	319,702	32.90	26.45
1973	13,792	31,471	2.28	453,472	342,243	32.88	24.81
1974	14,208	32,839	2.31	491,325	333,781	34.58	23.49
1975	14,901	34,214	2.30	533,984	332,080	35.84	22.29
1976	15,859	35,662	2.25	664,685	389,388	41.91	24.55
1977	15,887	36,711	2.31	736,999	404,945	46.39	25.49
1978	15,733	37,567	2.39	815,208	407,400	51.82	25.90
1979	16,354	38,887	2.38	899,317	385,807	54.99	23.59
1980	17,195	39,559	2.30	1,003,916	373,898	58.38	21.74
1981	18,601	42,630	2.29	1,212,632	399,023	65.19	21.45

Source: San Diego Convention and Visitors Bureau and Harrison Price Company.

Table 16
CONVENTION ACTIVITY IN THE
SAN DIEGO AREA
1970-1981

<u>Year</u>	<u>Number of Events</u>	<u>Number of Delegates</u>	<u>Delegate Expenditures (thousands)</u>	
			<u>Current Dollars</u>	<u>Constant 1967 Dollars</u>
1970	551	343,800	\$ 51,047	\$ 44,273
1971	573	302,400	44,897	37,477
1972	602	348,800	55,807	44,861
1973	631	355,300	56,847	42,903
1974	771	443,300	79,795	54,209
1975	821	468,000	102,960	64,030
1976	889	485,600	135,955	79,646
1977	990	540,300	183,697	100,932
1978	1,130	551,500	198,500	99,200
1979	1,239	552,900	199,054	85,394
1980	1,495	542,500	206,156	76,781
1981	1,412	549,700	219,878	72,352

Source: San Diego Convention & Visitors Bureau and
Harrison Price Company.

present. On a per capita basis, real spending grew only slightly, from \$129 in 1970 to \$132 in 1981, again a reflection of pressures on discretionary income.

Convention visitors do not represent an appreciable market for an amusement park because their daytime hours are usually filled with convention business and leisure time available during evening hours is typically spent in pursuit of local nightlife, which San Diego supplies in abundance. Although some convention visitors undoubtedly extend their stay in San Diego long enough to enjoy area attractions, particularly if accompanied by their wives or husbands, this is not an appreciable contingent. For this reason, the convention visitor segment does not warrant separation from the body of tourism as a whole.

The seasonality of the San Diego visitor market is illustrated in Table 17. Visitation shows a definite summer peak, with the months of June, July, and August accounting for an aggregate 31 percent of the annual volume, but there is no extreme variation between summer and other quarters, as summarized below:

	<u>Percent of Total Visitation</u>
Summer	30.6%
Fall	22.6
Winter	23.1
Spring	<u>23.7</u>
Total	100.0%

Convention visitation, which peaks in spring, is much more seasonal but such a small component of the total that it has little impact on the overall picture. Hotel occupancy rates are generally strong throughout the year given complementary peaking in convention and general tourist business, averaging about 78 percent on an annual basis.

Of greater significance than the monthly pattern of tourist activity in San Diego is the distribution by day of week. While no official data are available, there

Table 17
SEASONALITY OF THE SAN DIEGO
VISITOR INDUSTRY
1981

<u>Month</u>	<u>Total Visitation</u>	<u>Convention Attendance</u>	<u>Hotel Occupancy</u>
January	7.2%	7.7%	70.5%
February	7.1	10.4	85.7
March	7.1	10.4	80.2
April	7.6	12.2	81.8
May	9.0	11.7	76.5
June	9.2	8.4	74.3
July	10.1	6.8	88.1
August	11.3	5.5	94.1
September	8.1	7.0	78.6
October	7.2	9.8	74.4
November	7.3	6.1	65.1
December	<u>8.8</u>	<u>4.0</u>	<u>63.1</u>
Total	100.0%	100.0%	77.7%

Source: San Diego Convention and Visitors Bureau and
Harrison Price Company.

is little doubt that weekends predominate owing to the huge excursion business generated by the Los Angeles-Orange County metropolitan area. Weekend trade, moreover, is undoubtedly more pronounced outside the summer season when extended vacation stays are comparatively small in number. These patterns suggest that Aero World could appropriately operate year-round, but may wish to establish a weekend/holiday-only schedule during late fall and winter months. An operating schedule of approximately 300 days per year would therefore be indicated, which will have little if any impact on the potential degree of market exposure.

AGGREGATE MARKET SUPPORT

Summarizing the resident and tourist population data presented in this section, but splitting out the local San Diego market, the text table below highlights the overall magnitude of available support for the Aero World project:

	Market Size (thousands)		
	<u>1985</u>	<u>1987</u>	<u>1990</u>
San Diego County	2,072	2,197	2,281
Remainder Southern California	13,275	13,862	14,254
Northern California	10,390	10,918	11,270
Tourist	<u>13,900</u>	<u>14,700</u>	<u>15,300</u>
Total	39,637	41,717	43,105

It is anticipated that 1985 will be the first full operating year for the Aero World attraction. Stabilization of operations should occur in about the third year, or 1987, at which time the total market will amount to 41.7 million persons. The extent to which the proposed attraction will penetrate this large but drastically changing market is the subject of the next section of this report.

Section 5

PROJECTED ATTENDANCE AND PLANNING RECOMMENDATIONS

Prior sections of this report have described the concept of Aero World, evaluated the site selected for the project, and analyzed the degree of market support available. Conclusions with respect to these factors can now be combined with an examination of comparable experience to arrive at an attendance estimate for the proposed facility. Accordingly, this section contains an overview of Southern California attractions performance, a projection of Aero World attendance volume, and an evaluation of the project's investment strategy given the attendance potential identified.

ATTENDANCE POTENTIAL FOR AERO WORLD

Southern California is among the largest, most diverse, and strongest recreation markets in the world. Given a climate permitting year-round leisure activity, a casual, outdoor-oriented lifestyle, and excellent freeway network facilitating travel throughout the region, an enthusiastic acceptance of novel concepts in recreation, and traditional association with one of the principal forms of mass entertainment--the motion picture industry--it is no accident that many of America's leading recreation enterprises began and have thrived here.

Despite these and other distinct recreational advantages, however, the Southern California attractions market has not been immune to the socioeconomic forces described in the last section of this report. There is evidence, in fact, that the performance of virtually all regional attractions has suffered to a greater or lesser degree from the slow rate of market growth, increasing constraints on discretionary spending, two recent incidences of severe gasoline shortages, and inroads by the nascent boom in video games, cable television, and other home entertainment, to name some obvious concerns. Competition between attractions has consequently heightened appreciably and will undoubtedly continue to intensify in the years ahead. The following paragraphs illustrate this trend through an over-

view of major attraction experience during the 1970s, with special attention to the three major existing San Diego parks. An estimate of potential Aero World attendance is then made in light of this experience.

Experience of Major Southern California Attractions

During the 1970s, there were 13 principal commercial amusement attractions serving the Southern California market, of which eight were major theme parks and the remainder smaller facilities of limited scope and market impact. Two of the latter--Busch Gardens and Japanese Village--no longer exist, leaving a balance of 11 regional attractions entering the 1980s. Of the regional inventory three facilities (San Diego Zoo, Sea World, and the San Diego Wild Animal Park) are located in San Diego County. Attendance trends over the past decade, presented in Table 18, reveal that combined volume for the San Diego group has grown from 4.2 million in 1970 to 6.7 million in 1980, for a 4.7 percent average annual increase. In 1981, attendance volume for this group increased roughly 7.1 million. The 1970-1980 rate of growth was comparable to that of the five major Los Angeles-Orange County attractions (Disneyland, Knott's, Universal, Magic Mountain, and Marineland) during this same period. Growth in all cases, however, appears to have been achieved at the expense of the secondary park group, where attendance declined at the average annual rate of nearly 7 percent over the decade. Among attractions reporting the fastest growth was San Diego's Sea World, where patronage increased by an average of 5.3 percent per year.

Attendance volume for all 13 attractions grew by 3.4 percent annually from 1970 to 1980, from 21.6 million at the beginning of the period to 30.2 million at the end of the decade. This rate exceeded the rate of increase in both resident and tourist populations as discussed previously, meaning that attendance gains have not been so much a function of market expansion as of increased market penetration--which, in turn, has largely squeezed out the weaker competitors.

Table 18
ATTENDANCE TRENDS AT MAJOR SOUTHERN CALIFORNIA ATTRACTIONS^{1/}
1970-1980
(thousands)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Average Annual Change		
												1970- 1975	1975- 1980	1970- 1980
San Diego County														
San Diego Zoo	2,600	2,615	2,789	2,999	2,849	3,197	3,320	3,417	3,063	3,033	3,003	3.7%	(1.2)%	1.2%
Sea World	1,556	1,522	1,510	1,760	1,717	1,978	2,167	2,359	2,681	2,459	2,617	4.9	5.8	5.3
San Diego Wild Animal Park	--	--	784	926	814	903	968	1,118	1,068	1,046	1,082	4.8 ^{2/}	3.8	3.6 ^{3/}
Subtotal	4,216	4,137	5,083	5,685	5,380	6,078	6,455	6,894	6,812	6,538	6,702	6.1% ^{2/}	2.0%	4.7%
Los Angeles-Orange Counties														
Five Major Attractions ^{4/}	13,873	13,519	14,615	16,712	16,848	19,278	20,153	21,254	21,184	20,584	21,763	6.8%	2.4%	4.6%
Five Secondary Attractions ^{5/}	3,470	4,435	4,327	5,000	4,018	3,454	3,580	3,101	3,024	1,779	1,696	(0.1)	(13.3)	(6.9)
Subtotal	17,343	17,954	18,942	21,712	20,866	22,732	23,733	24,355	24,208	22,363	23,459	5.6%	0.6%	3.1%
Total	21,559	22,091	24,025	27,397	26,246	28,810	30,188	31,249	31,020	28,901	30,161	6.0%	0.9%	3.4%

^{1/} Paid attendance only, including private parties where applicable.

^{2/} Rate for 1972-1975.

^{3/} Rate for 1972-1980.

^{4/} Disneyland, Knott's Berry Farm, Universal Studios Tour, Magic Mountain, and Marineland.

^{5/} Busch Gardens (closed in 1978), MovieLand Wax Museum, Queen Mary, Lion Country Safari, and Japanese Village (closed in 1976).

Source: Harrison Price Company.

Using combined attendance at all 13 attractions as the universe, the relative movement in market shares over the past decade can be observed, as presented in Table 19. The San Diego parks, as shown, have increased from 19.5 percent of the total market in 1970 to 22.2 percent by 1980, for a total share gain over the period of 2.7 percent. Of the Los Angeles-Orange County parks, the major ones gained substantially in share over the decade, going from about 64 percent of the market in 1970 to more than 72 percent by 1980. A dramatic loss, on the other hand, was recorded in the secondary-attraction category.

Looking at year-to-year changes, the appearance of each new attraction (Magic Mountain and the Queen Mary in 1971 and the San Diego Wild Animal Park in 1972) tended to cause a decrease at older attractions, although the market subsequently adjusted. Market share movement among major attractions may also be correlated with the schedule of capital improvements, live headliner entertainment programs, and media campaigns undertaken at each park. A review of these factors over the last half of the 1970s illustrates how a major new ride or entertainment attraction at one park, with all associated publicity, induces a market share advance at the park in question, while the share of other parks tends to decrease, especially where no comparable event takes place. For example, Disneyland introduced its costly Space Mountain attraction in 1977, launched a heavy advertising campaign to support it, and increased its market share by a substantial two points. That same year, nearby Knott's Berry Farm scheduled no major new capital improvements and, with public attention focused on Disneyland, lost 0.9 points in share. Attendance performance can thus be significantly affected by the sums invested in facilities and programs each year not just at a given park, but at all parks in the market region, again a reflection of the competitive climate.

Another means of assessing market performance at various attractions is to express attendance as a percent of total market size, which will yield market penetration rates. As indicated in Table 20, the San Diego attractions together increased their capture rate from slightly more than 16 percent of the available market in 1970 to 20.4 percent by 1980. The San Diego Zoo, it will be noted, is the

Table 19
COMPARATIVE MARKET SHARES OF SOUTHERN CALIFORNIA ATTRACTIONS
1970-1980

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Total Share Gain (Loss)</u>		
												<u>1970-1975</u>	<u>1975-1980</u>	<u>1970-1980</u>
San Diego County														
San Diego Zoo	12.3%	11.9%	11.6%	10.9%	10.9%	11.1%	11.0%	10.9%	9.9%	10.5%	9.9%	(1.2)%	(1.2)%	(2.4)%
Sea World	7.2	6.9	6.3	6.4	6.5	6.9	7.2	7.6	8.7	8.5	8.7	(0.3)	1.8	1.5
San Diego Wild Animal Park	--	--	<u>3.3</u>	<u>3.4</u>	<u>3.1</u>	<u>3.1</u>	<u>3.2</u>	<u>3.6</u>	<u>3.4</u>	<u>3.6</u>	<u>3.6</u>	(0.2) ^{1/}	0.5	0.3 ^{2/}
Subtotal	19.5%	18.8%	21.2%	20.7%	20.5%	21.1%	21.4%	22.1%	22.0%	22.6%	22.2%	1.6%	1.1%	2.7%
Los Angeles-Orange Counties														
Five Major Attractions	64.4%	61.1%	60.8%	61.0%	64.2%	66.9%	66.7%	68.0%	68.3%	71.2%	72.2%	2.5%	5.3%	7.8%
Five Secondary Attractions	<u>16.1</u>	<u>20.1</u>	<u>18.0</u>	<u>18.3</u>	<u>15.3</u>	<u>12.0</u>	<u>11.9</u>	<u>9.9</u>	<u>9.7</u>	<u>6.2</u>	<u>5.6</u>	(4.1)	(6.4)	(10.5)
Subtotal	<u>80.5%</u>	<u>81.2%</u>	<u>78.8%</u>	<u>79.3%</u>	<u>79.5%</u>	<u>78.9%</u>	<u>78.6%</u>	<u>77.9%</u>	<u>78.0%</u>	<u>77.4%</u>	<u>77.8%</u>	(1.6)%	(1.1)%	(2.7)%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	--	--	--

^{1/} Figure for 1972-1975.

^{2/} Figure for 1972-1980.

Source: Harrison Price Company.

Table 20
COMPARATIVE MARKET PENETRATION RATES OF
SOUTHERN CALIFORNIA ATTRACTIONS
1970-1980

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1978</u>	<u>1980</u>	<u>Total Share Gain (Loss)</u>		
												<u>1970-</u>	<u>1975-</u>	<u>1970-</u>
												<u>1975</u>	<u>1980</u>	<u>1980</u>
San Diego County														
San Diego Zoo	10.2%	10.2%	10.6%	10.8%	10.2%	11.1%	10.8%	10.9%	9.7%	9.6%	9.1%	0.9%	(2.0)%	(1.1)%
Sea World	6.0	5.9	5.8	6.3	6.1	6.9	7.1	7.5	8.5	7.8	8.0	0.9	1.1	2.0
San Diego Wild Animal Park	--	--	<u>3.0</u>	<u>3.3</u>	<u>2.9</u>	<u>3.2</u>	<u>3.2</u>	<u>3.6</u>	<u>3.4</u>	<u>3.3</u>	<u>3.3</u>	0.2 ^{1/}	0.1	0.3 ^{2/}
Subtotal	16.2%	16.1%	19.4%	20.4%	19.2%	21.2%	21.1%	22.0%	21.6%	20.7%	20.4%	5.0%	(0.8)%	4.2%
Los Angeles-Orange Counties														
Five Major Attractions	53.4%	52.7%	55.8%	60.3%	60.3%	67.1%	66.0%	67.9%	66.8%	64.9%	66.2%	13.7%	(0.9)%	12.8%
Five Secondary Attractions	<u>13.3</u>	<u>17.3</u>	<u>16.5</u>	<u>18.1</u>	<u>14.4</u>	<u>12.0</u>	<u>11.6</u>	<u>9.9</u>	<u>9.6</u>	<u>5.6</u>	<u>5.2</u>	(1.3)	(6.8)	(8.1)
Subtotal	<u>66.7%</u>	<u>70.0%</u>	<u>72.3%</u>	<u>78.4%</u>	<u>74.7%</u>	<u>79.1%</u>	<u>77.6%</u>	<u>77.8%</u>	<u>76.4%</u>	<u>70.5%</u>	<u>71.4%</u>	<u>12.4%</u>	<u>(7.7)%</u>	<u>4.7%</u>
Total	82.9%	86.1%	91.7%	98.8%	93.9%	100.3%	98.7%	99.8%	98.0%	91.2%	91.8%	17.4%	(8.5)%	8.9%

only one to have had a net decrease in market capture, but this is primarily due to a severe capacity constraint (mainly parking space availability) rather than any decrease in relative market appeal. As a group, the San Diego attractions are among Southern California's strongest. The five major Los Angeles-Orange County parks had a combined penetration rate of 53.4 percent in 1970 and more than 66 percent in 1980, while the secondary attractions group dropped from a 13.3 percent combined capture rate at the beginning of the decade to only 5.2 percent at the end.

The foregoing penetration data have been recast in Table 21, which shows attractions attended per capita by the aggregate Southland resident and tourist market. The overall rate of park visitation increased from 0.83 attractions per capita in 1970 to 1.00 by 1975, remaining constant at roughly that level until 1979, when the ratio decreased to 0.92 attractions per capita. The San Diego group represents a ratio of 0.16 attractions per capita in 1970, which rose to 0.20 in 1980. The national economic recession, gasoline shortages, and similar problems have obviously been influential in maintaining the attractions attendance ratio at or below the 1.00 mark since 1975. However, socioeconomic changes, the boom in home entertainment, and other non-economic issues have also played a part and will probably have a more noticeable impact in the future. Until the effects of the recession begin to abate, it cannot be said that the 1.00 point represents market saturation, but there is sufficient cause to suspect that it will prove to be very close. The threat of a saturated market poses a more difficult challenge to a new park than an already established one and necessitates a cautious approach to attendance estimation for Aero World.

Experience of San Diego Attractions

With the preceding regional overview in mind, it will be helpful to take a closer look at the performance of the three parks in San Diego. Table 22 contains the reported geographic distribution of attendance at these attractions, and it is interesting to note that each facility has a distinctly prominent market. The San

Table 21

**PER CAPITA ATTRACTIONS ATTENDANCE IN SOUTHERN CALIFORNIA
1970-1980**

Year	Market Size (thousands)			Total Attractions Attendance ^{1/} (thousands)			Attractions Attended Per Capita		
	Resident Population ^{2/}	Tourists ^{2/}	Total	San Diego County	Los Angeles- Orange Counties	Total	San Diego County	Los Angeles- Orange Counties	Total
1970	12,006	14,000	26,006	4,216	17,343	21,559	0.16	0.67	0.83
1971	12,162	13,500	25,662	4,137	17,954	22,091	0.16	0.70	0.86
1972	12,206	14,000	26,206	5,083	18,942	24,025	0.19	0.72	0.91
1973	12,328	15,400	27,728	5,685	21,712	27,397	0.21	0.78	0.99
1974	12,459	15,500	27,959	5,380	20,866	26,246	0.19	0.75	0.94
1975	12,630	16,100	28,730	6,078	22,732	28,810	0.21	0.79	1.00
1976	12,811	17,800	30,611	6,455	23,733	30,188	0.21	0.78	0.99
1977	13,031	18,300	31,331	6,894	24,355	31,240	0.22	0.78	1.00
1978	13,292	18,400	31,692	6,812	24,208	31,020	0.22	0.76	0.8
1979	13,509	18,200	31,709	6,538	22,363	28,901	0.21	0.71	0.92
1980	14,153	18,700	32,853	6,702	23,459	30,161	0.20	0.72	0.92

^{1/} Refer to Table 18.

^{2/} Nine Southern California counties (see Table 3).

^{3/} Intrastate, out-of-state, and foreign visitors (see Table 14).

Source: Harrison Price Company.

Table 22

**ORIGIN OF ATTENDANCE AT MAJOR ATTRACTIONS
IN THE SAN DIEGO AREA**

	<u>San Diego Zoo</u>	<u>Sea World</u>	<u>San Diego Wild Animal Park</u>
San Diego County	19%	20%	32%
Remainder Southern California			
Los Angeles County	21	28	31
Orange County	14		
Other Counties ^{1/}	<u>10</u>		
Subtotal	45%	28%	31%
Northern California	7%	9%	6%
Tourist			
Out-of-State	24	<u>43</u>	<u>31</u>
Foreign	<u>5</u>		
Subtotal	<u>29%</u>	<u>43%</u>	<u>31%</u>
Total	100%	100%	100%

^{1/} Imperial, Kern, Riverside, San Bernardino,
Santa Barbara, and Ventura.

Source: Harrison Price Company.

Diego Wild Animal Park, for example, has the highest proportion of local (San Diego County) residents among its patrons, with this market generating about one-third of total attendance. The San Diego Zoo has exceptional strength in the regional Southern California market, reporting a substantial 45 percent of all attendees coming from Southern California counties beyond San Diego. Finally, Sea World has by far the greatest impact on the tourist market, with some 43 percent of all visitors derived from non-local traffic.

Table 23 translates attendance distributions into market penetration rates based on the respective 1980 attendance volumes. It will be noted that the rates shown here differ slightly from those of Table 20 due to a redefinition of the Northern California market (refer to the discussion in Section 4). As shown all three parks have substantial capture rates of the local market, ranging from approximately 19 percent at the Wild Animal Park to nearly 31 percent at the San Diego Zoo. The Zoo also has the highest rate of penetration of the Southern California regional market, some 11 percent followed by Sea World's 6 percent and the Animal Park's 2.7 percent. If the San Diego County and balance-of-Southern-California components are combined, the overall regional market penetration rates are as follows:

	<u>Southern California Regional Market Penetration Rate</u>
San Diego Zoo	13.5%
Sea World	8.8
San Diego Wild Animal Park	4.8

The Zoo's modest admission price and broad appeal make it the most heavily attended of San Diego's three parks. Sea World's outstanding quality and unique entertainment offering make it a destination for about 1 out of 10 Southland residents, while the smaller and more remotely located Animal Park draws about 1 out of 20. The highest rate of penetration of the Northern California market is Sea World's 2.5 percent. Sea World also reports an almost 9 percent capture rate of the

Table 23

**MARKET PENETRATION RATES OF MAJOR ATTRACTIONS
IN THE SAN DIEGO AREA
1980**

	<u>San Diego Zoo</u>	<u>Sea World</u>	<u>San Diego Wild Animal Park</u>	<u>Combined Total</u>
Attendance by Visitor Origin Area (thousands) ^{1/}				
San Diego County	571	523	346	1,440
Remainder Southern California	1,351	733	335	2,419
Northern California	210	236	65	511
Tourist ^{2/}	<u>871</u>	<u>1,125</u>	<u>335</u>	<u>2,331</u>
Total	3,003	2,617	1,081	6,701
Total Market Size (thousands)				
San Diego County	1,862	1,862	1,862	1,862
Remainder Southern California	12,291	12,291	12,291	12,291
Northern California	9,516	9,516	9,516	9,516
Tourist ^{2/}	<u>12,700</u>	<u>12,700</u>	<u>12,700</u>	<u>12,700</u>
Total	36,369	36,369	36,369	36,369
Market Penetration Rate				
San Diego County	30.7%	28.1%	18.6%	77.4%
Remainder Southern California	11.0	6.0	2.7	19.7
Northern California	2.2	2.5	0.7	5.4
Tourist ^{2/}	<u>6.9</u>	<u>8.9</u>	<u>2.6</u>	<u>18.4</u>
Total	8.3%	7.2%	3.0%	18.5%

^{1/} Based on percentage distribution shown in Table 22.

^{2/} Out-of-state and foreign visitors to Southern California.

Source: Harrison Price Company.

tourist market, followed by the Zoo at approximately 7 percent and the Animal Park at 2.6 percent. In combination, the three parks draw more than three-fourths of the local population, just less than 20 percent of the regional market, about 5 percent of the Northern California market, and an appreciable 18 percent of available tourism.

With a comparatively large share of total attendance originating outside of the San Diego area, all of these attractions have a characteristic summer peak in operations when tourist and recreational travel activity is greatest. Table 24 presents the monthly pattern of attendance, while the text table below shows the proportion of the annual total recorded in June, July, and August:

	<u>Percent of Attendance During Summer Months</u>
San Diego Zoo	38.9%
Sea World	49.6
San Diego Wild Animal Park	42.0

Sea World is the most seasonal of the three operations, with half of its annual patronage occurring during summer months. The Wild Animal Park and Zoo follow with a somewhat lesser 40 percent attendance concentration during summer. The rank in seasonality, it can be seen, corresponds to the relative degree of non-local visitation recorded at the respective parks (refer to Table 22). These data support the possibility of a reduced operating schedule at Aero World during winter months.

A final comparison of San Diego's attractions with the regional inventory as a whole is provided in Table 25, which shows current admission prices at various major parks. The San Diego Zoo, understandably, is the lowest-priced option. The other extreme of the range is represented by Magic Mountain, with an adult ticket price of \$11.50, followed by the unlimited ticket at Disneyland, at \$10.25. Sea World and Knott's Berry Farm are equally priced at \$9.95 for adults, with Universal's \$9.50 and Marineland's \$7.95 completing the list. These prices are as of

Table 24

**COMPARATIVE ATTENDANCE SEASONALITY AT MAJOR
SOUTHERN CALIFORNIA ATTRACTIONS
1980**

<u>Month</u>	<u>San Diego Attractions</u>				<u>Five Major Los Angeles Area Attractions</u>
	<u>San Diego Zoo</u>	<u>Sea World</u>	<u>San Diego Wild Animal Park</u>	<u>Composite</u>	
January	5.2%	4.3%	4.2%	4.6%	4.3%
February	5.7	3.5	4.8	4.7	4.2
March	8.0	6.1	7.6	7.2	7.0
April	8.6	7.0	9.0	8.1	8.2
May	7.9	7.8	8.5	8.0	8.3
June	9.8	10.4	10.6	10.2	11.1
July	13.9	16.3	14.0	14.8	15.6
August	15.2	22.9	17.4	18.5	17.0
September	7.0	7.2	6.8	7.1	7.1
October	6.0	5.5	5.3	5.7	5.4
November	6.5	4.3	6.0	5.5	5.4
December	<u>6.2</u>	<u>4.7</u>	<u>5.8</u>	<u>5.6</u>	<u>6.4</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Harrison Price Company.

Table 25
ADMISSION PRICES AT
MAJOR SOUTHERN CALIFORNIA ATTRACTIONS
May 1982

	<u>Adult</u>	<u>Child (Age Range)</u>
San Diego County		
San Diego Zoo	\$ 4.75	\$1.00 (3-15)
Sea World	9.95	6.95 (3-11)
San Diego Wild Animal Park		
General Admission	5.25	3.50 (3-15)
Unlimited	8.00	5.75 (3-15)
Los Angeles-Orange Counties		
Disneyland ^{1/}		
General Admission	8.00	6.00 (3-11)
11 Ride Book	9.25	7.50 (3-11)
Unlimited	10.25	8.50 (3-11)
Knott's Berry Farm	9.95	8.95 (4-11)
Magic Mountain	11.50 ^{2/}	5.75 ^{2/}
Marineland	7.95	5.95 (3-11)
Universal Studios Tour	9.50	7.50 (3-11)

^{1/} Disneyland also offers a junior ticket for ages 12-17 at \$7.00, \$8.00, and \$9.00 for the three types of ticket, respectively.

^{2/} The adult ticket price applies to all persons over four feet tall and the child price to persons under four feet tall.

Source: Harrison Price Company.

May 1982; certain parks, notably Disneyland and Universal, have traditionally raised prices just before the opening of the peak summer season, and it is likely that price increases will be announced soon at these attractions (thus reducing the present differential between Magic Mountain and other parks).

It is noteworthy that ticket prices at most parks have been raised faster than the gain in consumer prices overall during the past decade. There may consequently be considerable merit to the argument that theme parks are beginning to price themselves out of the market given the previously mentioned decline in discretionary income. A mitigating factor, however, is that all parks participate in heavy discounting so that a large percentage of attendees do not pay the full admission fee.

Given the general scope and content of Aero World vis-à-vis these other regional attractions, the adult admission ticket at the proposed facility could compare favorably at around \$10 if it were open today. This is equal to Sea World and justifiably above the other two parks in San Diego, which are municipally-subsidized (in part) and more limited in scope.

Projections for Aero World

So far in this report, a number of important factors have been identified that are necessary inputs to the determination of attendance potential at Aero World. To reiterate, these are:

- The proposed Aero World site location is excellent, having easy access, good visibility and exposure to sources of market support, and favorable climate conditions.
- The project concept is unique, eminently suited to the San Diego area, and commensurate with the offerings of regional competition.
- The growth rate of the Southern California market has drastically declined from historical levels and further slowing is expected through this decade. A positive note is that the nearby four-county market has

registered faster increases than the region as a whole and will continue to do so.

- The market is also becoming older on average, with the age shift most pronounced in the nearby four-county area. The teenage market, in particular, is shrinking noticeably, suggesting a reduced market for "white knuckle" rides as a principal form of amusement park entertainment.
- Southern California is becoming less of a family market, with a surge in the proportion of non-family and single-person households. Traditionally, amusement parks have been a family entertainment experience, and an adjustment of marketing strategies, if not park content, appears mandatory if the challenge implicit in this trend is to be met.
- Per capita income continued to increase through most of the last decade due to the dramatic increase in the number of two-income families. This proportion is now believed to be at or near its ultimate level, however, indicating that a serious erosion of discretionary purchasing power is under way, recreation being one of the more vulnerable items.
- Southern California's tourist market has also been in an uneasy transition. Since 1977, growth has been limited as the industry reacted to gasoline shortages, rising airfares, constraints on income growth, and other aspects of the economic recession. Foreign tourism offers substantial promise, but tends to fluctuate widely with exchange rates, political conditions abroad, and airfares.
- The regional attractions industry has entered a period of near-stabilization and heightened competition. Smaller and/or weaker parks are losing ground rapidly, while others struggle to maintain their market position.

- With the exception of the San Diego Zoo, where current attendance volume taxes the limit of physical capacity, San Diego's existing attractions have performed at least as well, if not better, than regional competition. The local market is accordingly viewed as above-average in potential to support a new attraction.

Weighing the significance of these various factors, Harrison Price Company has developed the Aero World attendance projections presented in Table 26. The estimates are expressed as a range and refer to 1987, the point at which operations should stabilize. Principal underlying assumptions are:

- Penetration of the local San Diego market should be above-average. Existing parks in this area are all animal-oriented, and Aero World will represent a complementary entertainment option that is not otherwise available locally. In addition, San Diego is one of the leading growth areas of Southern California.
- Penetration of the broader Southern California market will be inhibited by the very strong regional competition. While nearby sections of Orange, Riverside, and San Bernardino counties are growing rapidly, the bulk of the regional population base is located farther away and within the sphere of dominance of long-established parks with a tenacious hold on their market shares.
- The experience of existing San Diego attractions suggests that penetration of the Northern California market will be somewhat better than that of most regional parks.
- The rate of tourist market capture is conservative in light of regional experience, but is considered reasonable in view of the volatility of this market coupled with intense competition, both locally and regionally.

As indicated in the table, the range of potential attendance volume at Aero World in a stabilized year extends from about 1.38 million to 1.97 million. The

Table 26
ESTIMATED ATTENDANCE AT AERO WORLD
1987

Total Market Size (thousands)	
San Diego County	2,197
Remainder Southern California	13,862
Northern California	10,918
Tourist	<u>14,700</u>
Total	41,677
 Estimated Range of Market Penetration	
San Diego County	25-30%
Remainder Southern California	2-4
Northern California	1-1.5
Tourist	3-4
 Projected Attendance Range (thousands)	
San Diego County	549-659
Remainder Southern California	277-554
Northern California	109-164
Tourist	<u>441-588</u>
Total	1,376-1,965
 Mid-Range Planning Estimate (thousands)	 1,670

Source: Harrison Price Company.

midpoint of this range, or 1.67 million, is considered a realistic planning estimate. The percentage distribution of attendance based on this estimate is as follows:

	<u>Percent of Total Attendance</u>
San Diego County	37%
Remainder Southern California	24
Northern California	8
Tourist	<u>31</u>
Total	100%

Referring back to Table 22, it can be seen that Aero World is expected to report somewhat more local patronage than existing attractions in San Diego, somewhat lesser patronage from the remainder of the regional market, comparable patronage from the Northern California market, and near the three-attraction average for patronage from the tourist market.

Omitting Disneyland, which draws nearly three times the attendance volume of any other park in Southern California and thus represents an anomaly in the market, the penetration rates forecast for Aero World compare with the following averages for the remaining seven major regional attractions (Knott's, Universal, Magic Mountain, Marineland, and the three San Diego parks):

	<u>Market Penetration Rate</u>	
	<u>Average for Seven Major Attractions</u>	<u>Aero World</u>
Southern California (including San Diego)	9.4%	5-8%
Northern California	1.8	1-1.5
Tourist	7.8	3-4

It is chiefly in the area of potential tourist support that a substantial difference in performance is projected for Aero World. The rationale behind this conclusion is that the seven-attraction average is heavily influenced by the exceptional performance of Universal Studios and Knott's Berry Farm, both of which have aggressively sought the extra-regional market through exploitation of content geared to tourists--the mystique of Hollywood in the case of Universal and the romance and nostalgia of the Frontier West/Early California in the case of Knott's. The proposed Aero World concept, though unique and appealing in its own right, is probably more specialized in nature and less of a magnet to tourists as the latter two themes, which--at least in popular conception--represent almost the essence of Southern California.

INVESTMENT STRATEGY RECOMMENDATIONS

A probable attendance volume in the vicinity of 1.7million persons, together with assumptions regarding the capital cost per attendee, will enable a determination of appropriate investment magnitude. The following table presents some illustrative examples:

	<u>Original Investment (millions)</u>	<u>1982 (millions)</u>	<u>Third-Year Attendance (thousands)</u>	<u>1982 Investment Equivalent Per Attendee</u>
Sea World	\$ 6.0 (1966)	\$18.1	958	\$18.89
San Diego Wild Animal Park	9.7 (1972)	23.9	814	29.36
Magic Mountain	30.0 (1971)	76.3	1,720	44.36
Universal Studios Tour	5.0 (1966)	15.1	750	20.13

The above original investment figures were updated to 1982 on the basis of the Consumer Price Index through 1981 (refer to Table 11) and an assumed 8 percent increase this year. The weighted-average ratio for the four parks listed is approximately \$31.50 which, if applied to Aero World's projected 1.67 million attendance base, will yield an investment requirement of some \$52.5 million in today's dollars.

It has already been noted that a \$10 adult admission ticket (1982 dollars) is considered reasonable for the proposed attraction. On that basis, and further allowing for a typical mix of adults to children along with visitor spending on additional items such as food, merchandise, arcades, and so forth, a total per capita expenditure of about \$13 appears realistic. The latter figure is consistent with experience at other major attractions in Southern California and slightly higher than existing parks in San Diego County. A total gross revenue of \$21.7 million would result from a \$13 per capita. Comparing gross revenue with original investment in attraction facilities, the text table below indicates the ratios for the four selected parks:

	<u>Original Investment (millions)</u>	<u>Third-Year Gross Revenue (thousands)</u>	<u>Ratio of Gross Revenue to Investment</u>
Sea World	\$6.0	\$ 2,903	\$48.4%
San Diego Wild Animal Park	9.7	2,198	22.7
Magic Mountain	30.0	14,878	49.6
Universal Studios Tour	5.0	3,180	63.6

As indicated above, the ratio of original investment to third-year gross revenue ranges from 23 percent to 64 percent (investment and revenue figures have not been inflated to 1982 in this example because the ratio would remain the same in any case). The ratio for Aero World, given \$21.7 million in revenue and an

investment of \$52.5 million, would be about 41 percent, or slightly below the average for the facilities shown. In light of today's financial realities, this does not seem an unreasonable expectation.

The recommended investment necessarily includes land costs. From conversations with the client group, Harrison Price Company understands that the cost of acquiring the Aero World site could run as much as \$10 million, which would leave a residual of \$42.5 million for project improvements. It is important to recognize that only one of the four parks used in this demonstration incurred a substantial expense for land: Sea World is located on leased land, the Animal Park had a public subsidy, and Universal's site costs were submerged in the overall purchase price of the 400 acres acquired for the entire studio complex. This leaves Magic Mountain, which paid about \$2 million for its Newhall property, or some \$5.1 million in 1982 terms--only half the potential cost of the Aero World site.

The most serious challenge faced by Aero World is whether \$42.5 million is sufficient to create a park capable of drawing 1.7 million persons in today's market climate. Planned outlays for loop coasters, a flume, and other major rides as described in Section 3 may be excessive given the need to balance revenue potential with cost. Harrison Price Company accordingly recommends an in-depth study of individual project components with an eye toward the cost-versus-entertainment-value relationships. Greater emphasis on the air show and other "soft" programs, plus more generous use of exciting new technologies in film and animation, may be a viable alternative to expensive ride hardware that is primarily dependent on a dwindling teen market. A shift in content along these lines affords the further advantage of neutralizing what could become a head-on contest with such ride-based parks as Magic Mountain or Knott's Berry Farm.

Table 3
POPULATION TRENDS IN THE SOUTHERN CALIFORNIA
REGIONAL MARKET
1970-1980
(thousands)

County	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Average Annual Change 1970-1980
Imperial	74	75	77	79	82	84	86	87	90	94	92	2.2%
Kern	330	336	338	339	340	348	356	361	369	373	403	2.0
Los Angeles	7,042	7,051	6,983	6,960	6,954	6,947	7,008	7,046	7,108	7,128	7,478	0.6
Orange	1,421	1,485	1,530	1,595	1,658	1,713	1,756	1,796	1,833	1,874	1,932	3.1
Riverside	457	477	487	501	514	525	543	573	606	634	664	3.8
San Bernardino	682	692	691	689	691	697	710	732	773	811	893	2.7
San Diego	1,358	1,382	1,425	1,475	1,521	1,594	1,614	1,681	1,738	1,800	1,862	3.2
Santa Barbara	264	270	270	274	278	281	286	289	293	295	299	1.3
Ventura	<u>378</u>	<u>394</u>	<u>405</u>	<u>416</u>	<u>428</u>	<u>441</u>	<u>452</u>	<u>466</u>	<u>482</u>	<u>500</u>	<u>530</u>	<u>3.4</u>
Total	12,006	12,162	12,206	12,328	12,459	12,630	12,811	13,031	13,292	13,509	14,153	1.7%
State of California	19,971	20,265	20,437	20,665	20,907	21,198	21,522	21,890	22,297	22,694	23,669	1.7%
Southern California as Percent of State	60.1%	60.0%	59.7%	59.7%	59.6%	59.6%	59.5%	59.5%	59.6%	59.5%	59.8%	--

Source: U.S. Bureau of the Census, California Department of Finance, and Harrison Price Company.

Table 18
ATTENDANCE TRENDS AT MAJOR SOUTHERN CALIFORNIA ATTRACTIONS^{1/}
1970-1980
(thousands)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Average Annual Change</u>		
												<u>1970- 1975</u>	<u>1975- 1980</u>	<u>1970- 1980</u>
San Diego County														
San Diego Zoo	2,600	2,615	2,789	2,999	2,849	3,197	3,320	3,417	3,063	3,033	3,003	3.7%	(1.2)%	1.2%
Sea World	1,556	1,522	1,510	1,760	1,717	1,978	2,167	2,359	2,681	2,459	2,617	4.9	5.8	5.3
San Diego Wild Animal Park	--	--	784	926	814	903	968	1,118	1,068	1,046	1,082	4.8 ^{2/}	3.8	3.6 ^{3/}
Subtotal	4,216	4,137	5,083	5,685	5,380	6,078	6,455	6,894	6,812	6,538	6,702	6.1% ^{2/}	2.0%	4.7%
Los Angeles-Orange Counties														
Five Major Attractions ^{4/}	13,873	13,519	14,615	16,712	16,848	19,278	20,153	21,254	21,184	20,584	21,763	6.8%	2.4%	4.6%
Five Secondary Attractions ^{5/}	3,470	4,435	4,327	5,000	4,018	3,454	3,580	3,101	3,024	1,779	1,696	(0.1)	(13.3)	(6.9)
Subtotal	17,343	17,954	18,942	21,712	20,866	22,732	23,733	24,355	24,208	22,363	23,459	5.6%	0.6%	3.1%
Total	21,559	22,091	24,025	27,397	26,246	28,810	30,188	31,249	31,020	28,901	30,161	6.0%	0.9%	3.4%

^{1/} Paid attendance only, including private parties where applicable.

^{2/} Rate for 1972-1975.

^{3/} Rate for 1972-1980.

^{4/} Disneyland, Knott's Berry Farm, Universal Studios Tour, Magic Mountain, and Marineland.

^{5/} Busch Gardens (closed in 1978), Movieland Wax Museum, Queen Mary, Lion Country Safari, and Japanese Village (closed in 1976).

Source: Harrison Price Company.

Table 19
COMPARATIVE MARKET SHARES OF SOUTHERN CALIFORNIA ATTRACTIONS
1970-1980

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Total Share Gain (Loss)</u>		
												<u>1970-1975</u>	<u>1975-1980</u>	<u>1970-1980</u>
San Diego County														
San Diego Zoo	12.3%	11.9%	11.6%	10.9%	10.9%	11.1%	11.0%	10.9%	9.9%	10.5%	9.9%	(1.2)%	(1.2)%	(2.4)%
Sea World	7.2	6.9	6.3	6.4	6.5	6.9	7.2	7.6	8.7	8.5	8.7	(0.3)	1.8	1.5
San Diego Wild Animal Park	--	--	3.3	3.4	3.1	3.1	3.2	3.6	3.4	3.6	3.6	(0.2) ^{1/}	0.5	0.3 ^{2/}
Subtotal	19.5%	18.8%	21.2%	20.7%	20.5%	21.1%	21.4%	22.1%	22.0%	22.6%	22.2%	1.6%	1.1%	2.7%
Los Angeles-Orange Counties														
Five Major Attractions	64.4%	61.1%	60.8%	61.0%	64.2%	66.9%	66.7%	68.0%	68.3%	71.2%	72.2%	2.5%	5.3%	7.8%
Five Secondary Attractions	16.1	20.1	18.0	18.3	15.3	12.0	11.9	9.9	9.7	6.2	5.6	(4.1)	(6.4)	(10.5)
Subtotal	80.5%	81.2%	78.8%	79.3%	79.5%	78.9%	78.6%	77.9%	78.0%	77.4%	77.8%	(1.6)%	(1.1)%	(2.7)%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	--	--	--

^{1/} Figure for 1972-1975.

^{2/} Figure for 1972-1980.

Source: Harrison Price Company.

Table 20

COMPARATIVE MARKET PENETRATION RATES OF
SOUTHERN CALIFORNIA ATTRACTIONS
1970-1980

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1978</u>	<u>1980</u>	<u>Total Share Gain (Loss)</u>		
												<u>1970-</u>	<u>1975-</u>	<u>1970-</u>
												<u>1975</u>	<u>1980</u>	<u>1980</u>
San Diego County														
San Diego Zoo	10.2%	10.2%	10.6%	10.8%	10.2%	11.1%	10.8%	10.9%	9.7%	9.6%	9.1%	0.9%	(2.0)%	(1.1)%
Sea World	6.0	5.9	5.8	6.3	6.1	6.9	7.1	7.5	8.5	7.8	8.0	0.9	1.1	2.0
San Diego Wild Animal Park	<u>--</u>	<u>--</u>	<u>3.0</u>	<u>3.3</u>	<u>2.9</u>	<u>3.2</u>	<u>3.2</u>	<u>3.6</u>	<u>3.4</u>	<u>3.3</u>	<u>3.3</u>	<u>0.2</u> ^{1/}	<u>0.1</u>	<u>0.3</u> ^{2/}
Subtotal	16.2%	16.1%	19.4%	20.4%	19.2%	21.2%	21.1%	22.0%	21.6%	20.7%	20.4%	5.0%	(0.8)%	4.2%
Los Angeles-Orange Counties														
Five Major Attractions	53.4%	52.7%	55.8%	60.3%	60.3%	67.1%	66.0%	67.9%	66.8%	64.9%	66.2%	13.7%	(0.9)%	12.8%
Five Secondary Attractions	<u>13.3</u>	<u>17.3</u>	<u>16.5</u>	<u>18.1</u>	<u>14.4</u>	<u>12.0</u>	<u>11.6</u>	<u>9.9</u>	<u>9.6</u>	<u>5.6</u>	<u>5.2</u>	<u>(1.3)</u>	<u>(6.8)</u>	<u>(8.1)</u>
Subtotal	<u>66.7%</u>	<u>70.0%</u>	<u>72.3%</u>	<u>78.4%</u>	<u>74.7%</u>	<u>79.1%</u>	<u>77.6%</u>	<u>77.8%</u>	<u>76.4%</u>	<u>70.5%</u>	<u>71.4%</u>	<u>12.4%</u>	<u>(7.7)%</u>	<u>4.7%</u>
Total	82.9%	86.1%	91.7%	98.8%	93.9%	100.3%	98.7%	99.8%	98.0%	91.2%	91.8%	17.4%	(8.5)%	8.9%